



City of Frisco, Texas



Comprehensive Annual Financial Report
For the Year Ended September 30, 2003

CITY OF FRISCO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2003

Prepared by:

Administrative Services - Finance Division

Director - Nell Lange
Assistant Director - Anita Cothran

Lance Sehorn
Jennifer Winn
Cindy Willman
Sue Watson
Lou Sepulvado
Kathy Ferguson
B.J. Long

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CITY OF FRISCO
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2003

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FRISCO

Introductory Section

FRISCO





February 17, 2004

To the Honorable Mayor, Members of the City Council, City Manager,
And the Citizens of the City of Frisco:

The comprehensive annual financial report (CAFR) of the City of Frisco, Texas (the "City"), for the fiscal year ended September 30, 2003, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In the current year's financial statements, the City implemented a dramatic change in governmental financial reporting. We believe this new presentation will provide better information to users of the comprehensive annual financial report. The new reporting model issued by the Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the MD&A, Government-wide and Major Fund presentations, Required Supplementary Information, Combining Individual Fund Statements, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

GENERAL INFORMATION – CITY OF FRISCO

Incorporated in 1908, the City of Frisco is located in west central Collin County and east central Denton County, approximately 25 miles north of downtown Dallas at the intersection of Dallas North Tollway and State Highway 121. Frisco is situated in the midst of growth thrusting out of Dallas and its northern suburbs, and is considered one of the fastest growing cities in the state and country. The City currently encompasses 71 square miles. Frisco has experienced a substantial population growth in the last decade. Its population was 6,550 in 1991, 14,500 in 1995, and 32,650 by 2000. On October 1, 2003 the population was approximately 61,175, which represents a 21% increase in one year.

Frisco is a political subdivision that operates as a home-ruled city under the laws of the State of Texas and a charter approved by the voters in 1987 and amended in 2002. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City operates under the Council/Manager form of government. Policy-making and legislative authority are vested in the governing council, which consists of a mayor and a six-member council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the government's manager and the government's attorney. The City Manager is the chief administrative officer. He is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The council is elected on a non-partisan basis. Council members are elected to three-year staggered terms, with two council members elected every year. The mayor is elected to three-year terms. The council members and the mayor are elected at-large, and are limited to two consecutive terms or a combined total of twelve consecutive years in an elected City office.

The financial reporting entity (the government) includes all the funds of the primary government, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; environmental health; sanitation services; community development; building inspections; traffic control; parks and libraries; the construction and operation of water, sewer, drainage, solid waste services, streets and infrastructure, convention and tourism activities, and cultural events.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Frisco Economic Development Corporation and the Frisco Community Development Corporation are included in the financial statements as discretely presented component units.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Frisco operates.

Local Economy. The City is located in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area, an area that has been labeled by planners, economists, and industrialists as one of the nation's brightest spots for future industrial development. The City and Collin County are located in the Dallas/Fort Worth Commercial Zone, which also includes Dallas, Denton, Ellis, Grayson, Kaufman, Parker, Rockwall and Tarrant Counties. The region has a varied base that adds to the relative stability of the unemployment rate.

Given Frisco's continued pro-business attitude and enthusiastic accommodation of retail and industry, the city continues to prosper economically. Highlights during fiscal year 2003 included:

- In November 2002, ground was broken for Centennial Medical Center, a full-service hospital located on a 40-acre campus at Coit Road and State Highway 121. The 182-bed facility will employ 340 when it opens in 2004, including 270 new positions.
- Fujitsu Transaction Solutions relocated its North American headquarters in January 2003. Thousand Trails, a network of private resort style camping preserves, moved its corporate headquarters to Frisco in the Spring. Looking forward, EADS Telecom, an international telecommunications company, opened the doors of its new corporate headquarters in Frisco in November 2003, and QUICKCare, a developer of software for the long-term healthcare industry, moved to its new headquarters in early December 2003.
- It was also a banner year for professional sports in the City. In addition to opening a minor-league baseball stadium (Dr. Pepper/7up Ball Park) and hockey arena (Dr. Pepper StarCenter), the City announced a historic partnership with Frisco ISD, Collin County, and Hunt Sports Group to build a \$65 million professional soccer complex, targeted to open in Spring 2005.
- Retail business continued to move forward with expansion around Stonebriar Centre and at various other retail developments throughout the City.

Major Initiatives. The following City facility and building services resulting from implementation of the Capital Improvement Program, are either in design, construction or complete:

- | | |
|--------------------------------|-------------------------------|
| ▪ Senior Citizen Center | ▪ Public Works Facility |
| ▪ City Hall | ▪ Heritage Park |
| ▪ Public Library | ▪ Multi-City Arts District |
| ▪ Police Holding Facility | ▪ Professional Soccer Stadium |
| ▪ Recreation & Aquatics Center | |

Financial Policies. During fiscal year 2003, the City Council developed a Finance & Audit Subcommittee to review written policies detailing financial goals and guidelines for the City. These will include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management and fund balance/reserve levels.

Cash Management Policies and Practices. Cash temporarily idle during the year was invested in demand deposits, investment pools, certificates of deposit, U.S. government securities, and/or repurchase agreements. The City has adopted an investment policy to further document the goals and strategy of the City's investment and cash management program. In April 2003, the City also contracted with First Southwest Asset Management Company to provide investment advisory services to enhance the Cash Management Program. At September 30, 2003, the fair value of the City's cash and investments totaled \$274,436,025, with the portfolio invested in local government investment pools and government securities. Investment income generated for the year for all funds within the primary government was \$1,878,337.

Risk Management. The City of Frisco is insured for liability, property, and workers' compensation losses. There have been no reductions in coverage during the year or settlements in excess of coverage for the past three years.

Pension and Post-Employment Benefits. All full-time regular employees of the City of Frisco participate in the Texas Municipal Retirement System (TMRS), a state-wide retirement plan which qualifies under Section 401 of the Internal Revenue Code. The City of Frisco has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to TMRS.

The City of Frisco also provides an option for certain retirees and their dependents to continue with insurance benefits upon retirement through the City's group plans. The premiums for these benefits are financed 100% by the retiree. As of the end of the current fiscal year, only one retired employee was receiving these benefits. Accounting principles generally accepted in the United States of America (GAAP) do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Accounting Procedures and Budgetary Controls. The City's accounting records for governmental funds are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis of accounting.

In addition, the government maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's council. Activities of the general fund, debt service fund, capital projects fund, and the enterprise funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund level, and encumbrances are entered at the time a purchase order is issued. Open encumbrances are recorded as reserves of fund balance as of September 30 of each year, and the subsequent year's budget is increased to reflect these carried-forward encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City financial management staff and expenditure estimates by each City department. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed extensively by the City Council, a process which includes public hearings and work sessions which are open to the public.

While the budget is developed and controlled at the departmental level, appropriations are made at the fund level. An ordinance establishes the budget for operating expenditures, debt service payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed concurrently with the new year proposed budget. Any supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

During the course of the fiscal year, expenditure controls are maintained by each department manager, with overall review exercised by the Director of Administrative Services and the City Manager. Monthly departmental expenditure reports are generated by an automated management accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month, as well as a year-to-date total and an actual versus budget rate of expenditure. These reports are also available to department managers by utilizing the City's intranet system.

The City's Finance Division also prepares a monthly financial report directed at providing internal and external users with the general awareness of the City's financial position.

Internal Controls. Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

As recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and finance department staff.

General Government Functions.

Tax Rate: All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. Under state law and provisions of the City Charter, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. As shown below, the tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law.

The allocation of the property tax levy by purpose (General Fund operations and Debt Service) for fiscal year 2002-2003 and the preceding five fiscal years is reflected in the following table:

Purpose	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
General Fund	.241559	.2545	.2851	.2680	.2874	.3007
Debt Service Fund	<u>.095491</u>	<u>.1125</u>	<u>.0849</u>	<u>.1047</u>	<u>.0853</u>	<u>.1113</u>
Total Tax Rate	.337050	.3670	.3700	.3727	.3727	.4120

Tax Appraisal/Collection Responsibilities. Under Texas law enacted in 1979, and subsequent revision to the State Property Tax Code, the appraised value of taxable property in Frisco is established by the Central Appraisal District of Collin County. The City of Frisco and other taxing jurisdictions in Collin County provide a pro rata share of the budgeted expenditures incurred by the Appraisal District, based upon individual levy. In fiscal year 2002-2003, the City payment to the Appraisal District for appraisal services was \$78,416.

Debt Administration. Two ratios traditionally used to analyze the debt structure of municipalities are presented below.

Outstanding General Obligation Debt at 9-30-03 (Net of Debt Service)	\$ 134,323,886
Estimated Population	61,175
Net G.O. Debt per Capita	2,196
Net G.O. Debt per Assessed Value	2.52

Article VII, sections 7.14 of the City Charter authorizes the City, except as prohibited by law or the Charter, to borrow money by whatever method it may deem to be in the public interest. Standard & Poor's Corporation has rated the City's general obligation bonds as A+. Moody's Investors Services has issued bond ratings of A1.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The firm of KPMG LLP was selected by the city's governing body to audit this report. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report is included in the financial section of this report. In addition to meeting the requirements set forth above, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133 and the State of Texas' Uniform Grant and Contract Circular.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Frisco for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the third year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire finance division staff and our independent auditors. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation and publication of this report. Special thanks are extended to all members of the City Council for their leadership and support of sound fiscal management.

Respectfully submitted,

Anita Cothran

Anita Cothran
Assistant Director of Finance

Nell Lange

Nell Lange
Director of Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Frisco,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

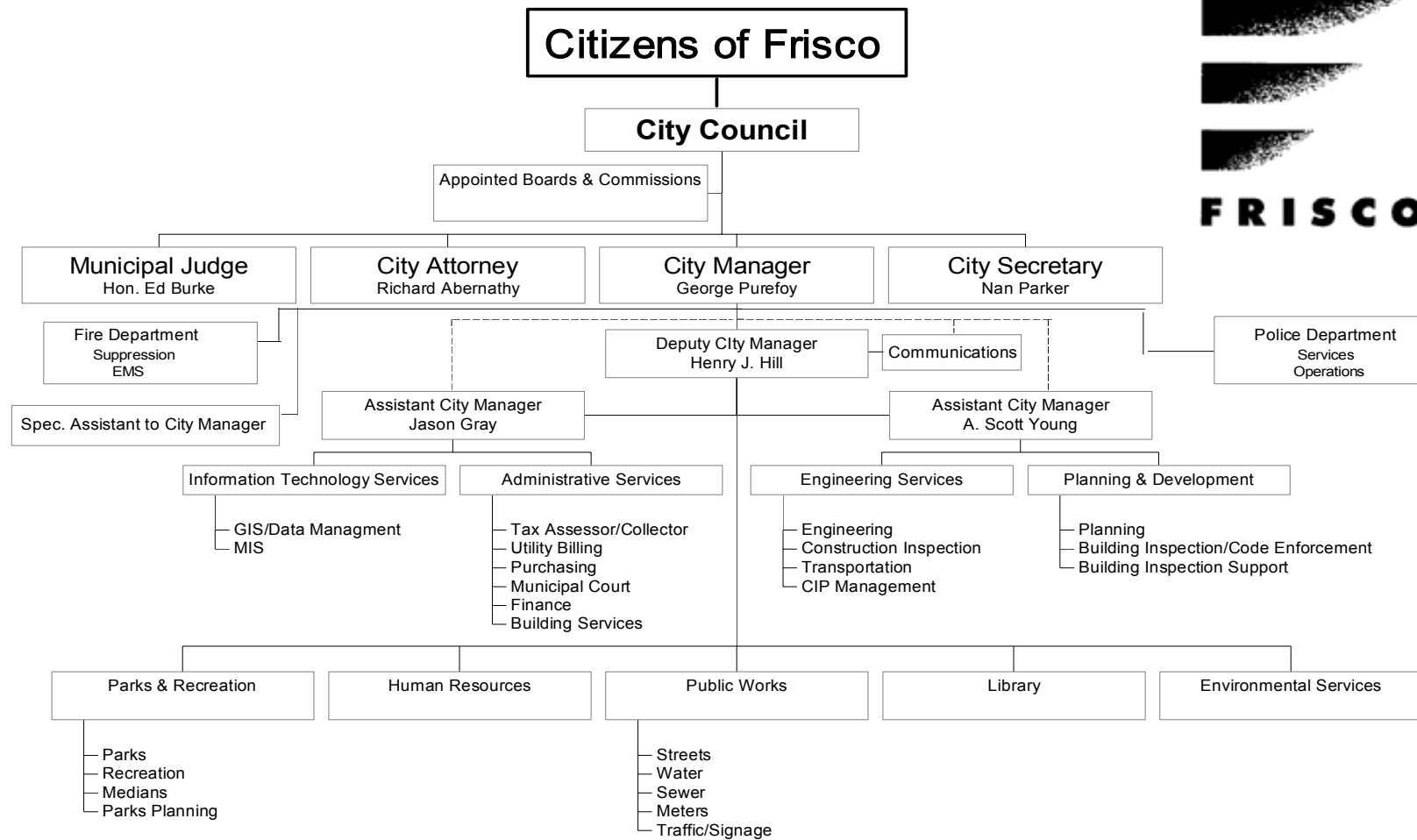


A handwritten signature in black ink, appearing to read "Edward Handberg".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

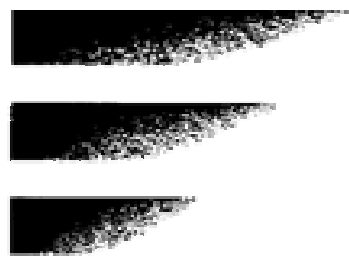


CITY OF FRISCO

Elected Officials and Administrative Officers

September 30, 2003

Title	Name
Mayor	Mike Simpson
Mayor Pro-tem, Place 4	Maher Maso
Deputy Mayor Pro-tem, Place 6	Matt Lafata
Council Member, Place 1	Tony Felker
Council Member, Place 2	Bob Allen
Council Member, Place 3	Joy West
Council Member, Place 5	Dr. Jim Joyner
City Manager	George Purefoy
Deputy City Manager	Henry J. Hill, III
City Attorney	Richard Abernathy
City Secretary	Nan Parker
Assistant City Manager	A. Scott Young
Assistant City Manager	Jason Gray
Administrative Services Director	Nell Lange
Communications Director	Dana Baird
Engineering Services Director	Cissy Sylo
Economic Development Corporation Executive Director	James Gandy
Fire Chief	Mack Borchardt
Human Resources Director	Lauren Safranek
Information Technology Director	Ric Bentley
Library Director	Dr. Ron Heezen
Parks and Recreation Director	Rick Wieland
Planning Director	John Lettelleir
Police Chief	Todd Renshaw
Public Works Director	Gary Hartwell



FRISCO

Financial Section

FRISCO





KPMG LLP

Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Honorable Mayor and City Council
City of Frisco, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, Texas (the City) as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, Texas as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1, the City implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.



In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

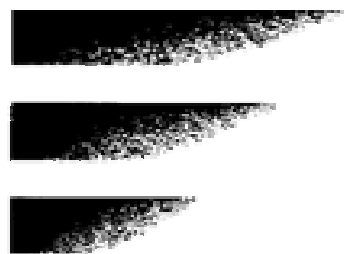
The Management's Discussion and Analysis on pages 15 – 23 and the Schedule of TMRS Plan Funding Progress and Contributions on page 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information presented in the financial section of the table of contents labeled as combining financial statements and capital assets of governmental funds and the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The capital assets of governmental funds introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



FRISCO

CITY OF FRISCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003

Our discussion and analysis of the City of Frisco's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City of Frisco has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by \$583,430,768 (net assets). Of this amount, \$35,199,723 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets of governmental activities increased by \$12,559,974 as a result of this year's operations. Net assets of the City's business type activities also increased as a result of this year's operations with an increase of \$562,673.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of \$219,890,207. Approximately 8 percent of this total amount is available for spending at the City's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$17,810,069 or 61 percent of total general fund expenditures.
- The City of Frisco's total debt increased by \$210,035,060 (138 percent) during the current fiscal year. The key factor in this increase was the issuance of \$90,185,000 in General Obligation Bonds and \$108,585,000 in Certificates of Obligation plus related premiums and discounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of Frisco's basic financial statements. The City of Frisco's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Frisco finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The *statement of net assets* presents information on all of the City of Frisco's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Frisco is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting.

In the statement of net assets and the statement of activities, the City is divided into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, library, development, public services and operations, public works, information services and general administration. Property taxes, sales taxes, franchise taxes and intergovernmental revenue finance most of these activities.
- Business-type activities – Includes services for which the City charges a fee to customers to help cover all or most of the cost of providing such services. The City's water and sewer system, solid waste system, and velodrome are reported here.
- Component units – The City includes two separate legal entities in its report – the Frisco Economic Development Corporation and the Frisco Community Development Corporation. Although legally separate, these "component units" are included because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for

governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is detailed in a reconciliation following each of the governmental fund financial statements.

The City of Frisco maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the tax increment refinancing zone fund (TIRZ), all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- Proprietary funds – The City charges customers directly for certain of the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but enterprise fund financial statements provide more detail and additional information, such as cash flows.

The City of Frisco maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer, solid waste, and velodrome activities. Separate information is provided for the water and sewer function, which is considered to be a major fund of the City. Data from the remaining two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

- Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
- Other information – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

This year is the first year the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the Management's Discussion and Analysis. In future years, when prior year information is available, a comparative analysis of government-wide data will be included in this report.

The City's combined net assets were \$583,430,768 as of September 30, 2003. This analysis focuses on the summary of net assets (Table 1), and changes in net assets (Table 2) of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (52 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Summary of Net Assets
At September 30, 2003

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$234,225,297	\$ 50,559,599	\$284,784,896
Capital assets	<u>562,152,992</u>	<u>130,781,869</u>	<u>692,934,861</u>
Total assets	<u>796,378,289</u>	<u>181,341,468</u>	<u>977,719,757</u>
Long-term liabilities	320,871,394	43,601,666	364,473,060
Other liabilities	<u>24,290,559</u>	<u>5,525,370</u>	<u>29,815,929</u>
Total liabilities	<u>345,161,953</u>	<u>49,127,036</u>	<u>394,288,989</u>
Net assets:			
Invested in capital assets, net of related debt	396,578,552	85,864,409	482,442,961
Restricted	38,704,635	27,083,449	65,788,084
Unrestricted	<u>15,933,149</u>	<u>19,266,574</u>	<u>35,199,723</u>
Total net assets	<u>\$451,216,336</u>	<u>\$132,214,432</u>	<u>\$583,430,768</u>

Governmental Activities

The City's general revenues increased when compared to the prior year with an increase of \$9,094,832. Property tax revenue includes an increase of \$2,418,611. The increase in property tax revenue is due to increased property valuations and addition of new property throughout the City. The assessed value of the property in the City increased by \$1.04 billion or 24 percent as compared to the prior year. The City decreased the property tax rate to \$.33705 per \$100 assessed valuation for FY 2002-2003. The remaining increase is attributed to local growth in retail and the economy. Investment earnings decreased due to the continued low security market yields.

Governmental and Business-type activities increased the City's net assets by \$13,122,647. The key elements of this increase are as follows:

Table 2
Changes in Net Assets
At September 30, 2003

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues:			
Program Revenues:			
Charges for services	\$11,199,799	\$24,652,696	\$35,852,495
Operating grants and contributions	180,891	50,373	231,264
Capital grants and contributions	<u>11,841,290</u>	<u>422,204</u>	<u>12,263,494</u>
Total program revenues	23,221,980	25,125,273	48,347,253
General revenues:			
Ad valorem tax	18,556,306	-	18,556,306
Sales tax	12,037,581	-	12,037,581
Franchise tax	3,775,702	-	3,775,702
Other taxes	1,147,830	-	1,147,830
Intergovernmental	9,231,170	-	9,231,170
Investment earnings	1,526,677	351,660	1,878,337
Miscellaneous	<u>869,309</u>	<u>-</u>	<u>869,309</u>
Total general revenues	<u>47,144,575</u>	<u>351,660</u>	<u>47,496,235</u>
Total revenues	70,366,555	25,476,933	95,843,488
Expenses:			
General government	15,869,771	-	15,869,771
Public safety	14,633,178	-	14,633,178
Public works	14,322,278	-	14,322,278
Culture and recreation	4,332,668	-	4,332,668
Interest on long-term debt	8,684,666	-	8,684,666
Water and sewer	-	20,578,940	20,578,940
Environmental services	-	4,131,295	4,131,295
Superdome	<u>-</u>	<u>168,045</u>	<u>168,045</u>
Total expenses	57,842,561	24,878,280	82,720,841
Increase in net assets before transfers	<u>12,523,994</u>	<u>598,653</u>	<u>13,122,647</u>
Transfers	<u>35,980</u>	<u>(35,980)</u>	<u>-</u>
Increase in net assets	12,559,974	562,673	13,122,647
Net assets – October 1	<u>438,656,362</u>	<u>131,651,759</u>	<u>570,308,121</u>
Net assets – September 30	<u>\$451,216,336</u>	<u>\$132,214,432</u>	<u>\$583,430,768</u>

General government expenses includes a payment of \$6,988,537 to Frisco Independent School District as part of the agreement with the TIRZ #1 to provide property tax revenue generated in the TIRZ for school district expenses. \$14,633,178 of the incurred expenses were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income. Public works is also a significant expenditure and provides roadways and roadway repairs for the citizens. Total salaries and benefits for the governmental activities totaled \$20,305,080 or 35% of the total expenses, while depreciation expense totaled \$13,823,081 or 24%. Program revenues include fees collected for licenses and building permits and charges for services in parks & recreation.

Business-type Activities

Revenues of the City's business-type activities were \$25,125,273 for the fiscal year ended September 30, 2003. Expenses for the City's business-type activities totaled \$24,878,280. The increase in net assets are the result of several factors, including the following:

The City's water and sewer system recorded charges for services of \$20,634,628 and impact fees of \$422,204. Including these impact fee collections, the water and sewer operating revenues exceeded expenses of \$20,578,940 by \$477,892. The most significant expenses of the water and sewer fund were \$4,065,937 to purchase water, \$2,688,550 for the cost of sewage treatment and \$4,248,946 for salaries and benefits.

THE CITY'S FUNDS

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved and undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of the City's fiscal year on September 30, 2003, the governmental funds of the City reported a combined fund balance of \$219,890,207, an increase of \$130,052,276 in comparison with the prior year. Approximately \$19,241,000 constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$15,672,347), 2) for prepaid expenses and inventories used in a future period (\$111,220), 3) to pay debt service (\$278,714), 4) to fund capital projects (\$181,877,071), and 5) to fund TIRZ projects and special revenue activities (\$2,709,604).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$17,810,069, while total fund balance reached \$18,139,405. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 61% of total general fund expenditures, while total fund balance represents 62% of that same amount.

The fund balance of the City's general fund increased by \$1,391,982 during the current fiscal year. Due to the uncertain economic conditions, expenditures were closely monitored and correlated to revenues received. Revenue projections were also estimated conservatively.

The TIRZ#1 fund has a total fund balance of \$1,985,036 which is all designated for future purposes. The Capital Projects fund has a total fund balance of \$190,692,050 with \$15,454,231 reserved for encumbrances and the remainder designated for future construction commitments.

Proprietary Funds – The City of Frisco's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at September 30, 2003 totaled \$17,317,176. Other factors concerning the finances of this fund has already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

During FY 2002-03, the City Council of the City of Frisco amended the budget for the General Fund on two occasions. One supplemental appropriation was approved after beginning the fiscal year, and the final re-appropriation was made in September 2003 with the total amount of the final appropriation equaling \$39.6 million including transfers out. The amendments were made to reallocate funds appropriated to more accurately account for estimated revenues and expenditures. There were no significant adjustments from original to final budget.

With the budget amendments made during FY 2002-03, the actual on a budgetary basis expenditures were \$38.7 million compared to the re-estimated budget amount of \$39.6 million. The \$898,351 variance was due to the sales tax grant payable being less than projected and culture and recreation expenses being somewhat less than originally projected. For FY 2002-03, the actual on a budgetary basis revenues were \$39.9 million as compared to the reestimated budget amount of \$35.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2003, the City had \$804,613,889 invested in a broad range of capital assets, including land, buildings, park facilities, roads, bridges, water & sewer lines, police and fire equipment, and public works operating equipment and machinery. This amount represents a net increase (including additions and deductions) of \$83,834,285 over the prior fiscal year. Total accumulated depreciation for September 30, 2003, was \$111,679,028 for net capital assets of \$692,934,861.

Table 3
Capital Assets at Year-end

	Governmental Activities	Business- type Activities	Primary Government Totals
	2003	2003	2003
Land	\$182,214,467	\$4,497,759	\$186,712,226
Buildings & improvements	62,994,059	3,438,839	66,432,898
Machinery & equipment	13,197,029	2,535,076	15,732,105
Construction in progress	34,810,588	5,220,917	40,031,505
Improvements other than buildings	<u>353,227,144</u>	<u>142,478,011</u>	<u>495,705,155</u>
Total capital assets	<u>646,443,287</u>	<u>158,170,602</u>	<u>804,613,889</u>
Less accumulated depreciation	<u>(84,290,295)</u>	<u>(27,388,733)</u>	<u>(111,679,028)</u>
Total	<u>\$562,152,992</u>	<u>\$130,781,869</u>	<u>\$692,934,861</u>

This year's major additions included:

Land purchases for the Convention Center, Soccer Complex, Police Facility, Frisco Square, Neighborhood Park and Frisco Bridges park dedication. In addition, various rights of way were purchased for roads including North County and Eldorado. Improvements other than buildings includes the electrical relocation at Frisco Square and various park developments. Building additions included the renovation of the existing city hall, Sports Complex, Senior Center and ongoing projects for the Library,

Police Facility, Fire Station and the Public Works Facility. Vehicles, machinery and equipment/furniture were also acquired for most City departments during FY 03.

The City's fiscal year 2004 capital budget calls for it to spend another \$221.3 million for capital projects, principally for three major categories: municipal facilities, parks and recreation and street improvements and enhancements. The estimated expenditures for municipal facilities are \$142.9 million including plans to build a new city hall at a cost of \$18.0 million and a library at a cost of \$12.5 million. The estimated expenditures for the parks and recreation facilities are \$16.9 million including \$11.0 million for the recreation center and \$1.7 million for the Rowlett Creek Linear Park. The City is planning on spending \$61.5 million on street improvements and enhancements including \$15.1 million to expand Main Street, \$2.8 million to expand Coit Road, and \$4.3 million to expand Legacy Drive, and \$4.2 million to expand Teel Parkway. The remaining street improvements and enhancements are for a variety of projects. To support the 2003-04 general obligation capital improvement program bonds were issued during the year. The City sold these bonds in the summer of 2003 for the purpose of allowing the immediate land purchases related to several of the projects approved in the referendum. The City intends to sell additional bonds for these programs in the summer of 2005.

Debt Administration

At year-end, the City had \$362.2 million in debt outstanding as compared to \$152.1 at the end of the prior fiscal year, an increase of 138 percent – as shown in Table 4.

Table 4
Outstanding Debt, September 30, 2003

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$140,878,846	\$ 46,361,800	\$ 122,400	\$ 163,200	\$141,001,246	\$ 46,525,000
Certificates of obligation	<u>176,423,754</u>	<u>85,287,500</u>	<u>44,795,060</u>	<u>20,372,500</u>	<u>221,218,814</u>	<u>105,660,000</u>
Totals	<u>\$317,302,600</u>	<u>\$131,649,300</u>	<u>\$44,917,460</u>	<u>\$20,535,700</u>	<u>\$362,220,060</u>	<u>\$152,185,000</u>

During the current fiscal year the City issued debt. This new issuance included \$90,185,000 of general obligation bonds with a premium of \$6,761,974. It also included \$93,550,000 in tax-exempt certificates of obligation with a premium of \$8,408,751, and \$15,035,000 in taxable certificates of obligations with a discount of \$29,136. Projects included in the expected use of the bond proceeds are the expansion in municipal facilities, parks and recreation and street improvements and enhancements.

The City's general obligation bonds and certificates of obligation continue to carry a rating of A+ with Standard & Poor's Corporation and a rating of A1 with Moody's Investor Services. This rating has been assigned to the City's tax-supported debt. The City is permitted by state law and provisions to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is 2.52%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors was the economy. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. Frisco's current population is 61,175.

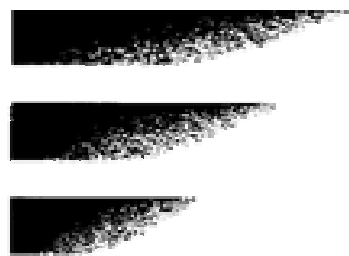
These indicators were taken into account when adopting the General Fund budget for fiscal year 2004. The FY 2003-04 combined budget appropriation totaled \$34.2 million for the general fund. This represents a decrease of \$5.4 million from the FY 2002-03 revised budget. The General Fund's largest revenue source is property tax receipts. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the central Appraisal District of Collin County and the tax rate established by the Frisco City Council. Due to the fact that assessed property values have increased annually since 1993, the City has been afforded the opportunity to hold the tax rate relatively constant or even lower the rate in the past. The Frisco City Council did increase the tax rate by approximately 9.5 cents for a proposed tax rate of 43.2 cents per \$100 valuation for the fiscal year 2004. According to final figures received from the Central Appraisal District, the total assessed property value for FY 2003-04 of \$6.3 billion is an increase of \$992 million or approximately 19%. The increase includes new property coming on-line of \$618.2 million while existing property values are expected to increase by \$373.8 million, or 6%.

While the economic events of this year have been a factor, the City has increased the FY 2003-04 projected sales tax collections by \$1.5 million to a proposed budget of \$11.75 million.

As for the City's business type activities, the City expects the 2004 results will also improve in the water and sewer fund. Projections indicate that the water and sewer fund working capital balance will increase by \$2.5 million, while the environmental services fund working capital balance will decrease by \$263,278. We plan to complete a rate study in order to evaluate our current rates, and as a result, any rate adjustments will be recommended in 2004.

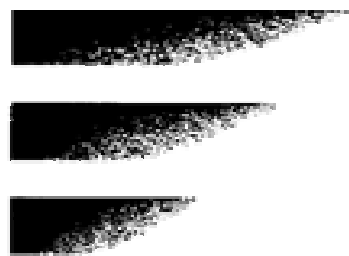
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Division at 6891 Main Street, Frisco, Texas 75034.



FRISCO

BASIC FINANCIAL STATEMENTS



FRISCO

City of Frisco
Statement of Net Assets
September 30, 2003

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 30,057,291	\$ 15,047,047	\$ 45,104,338	\$ 19,131,032
Investments	2,045,000	1,626,094	3,671,094	-
Receivables (net of allowance for uncollectibles)	4,625,103	2,834,704	7,459,807	2,075,201
Internal balances	660,850	(660,850)	-	-
Due from primary government	-	-	-	30,145
Due from component unit	463,238	2	463,240	-
Inventories	3,733	84,283	88,016	-
Prepays	107,592	26,212	133,804	254
Deferred charges	90,897	23,124	114,021	-
Notes receivable	-	-	-	1,232,490
Restricted assets:				
Cash and cash equivalents	154,181,881	23,262,310	177,444,191	250,654
Investments	40,282,603	7,933,799	48,216,402	-
Prepays	-	1,000	1,000	-
Due in more than one year:				
Deferred charges	1,707,109	381,874	2,088,983	-
Capital assets (net of accumulated depreciation):				
Land	182,214,467	4,497,759	186,712,226	11,605,482
Buildings and improvements	62,994,059	3,438,839	66,432,898	-
Improvements other than buildings	353,227,144	142,478,011	495,705,155	4,428,233
Machinery & equipment	13,197,029	2,535,076	15,732,105	25,664
Construction in progress	34,810,588	5,220,917	40,031,505	2,906,574
Accumulated depreciation	(84,290,295)	(27,388,733)	(111,679,028)	(740,192)
Total assets	796,378,289	181,341,468	977,719,757	40,945,537
LIABILITIES				
Accounts payable	6,936,813	1,409,384	8,346,197	186,032
Accrued liabilities	587,988	692,684	1,280,672	9,379
Accrued interest payable	3,502,798	-	3,502,798	171,781
Customer deposits	-	1,695,125	1,695,125	-
Due to primary government	-	-	-	463,240
Due to component unit	30,145	-	30,145	-
Unearned revenue	580,394	-	580,394	1,358
Monies held in escrow	2,791,688	-	2,791,688	-
Non-current liabilities:				
Due within one year:				
Compensated absences	1,584,600	255,677	1,840,277	28,309
Notes payable	-	-	-	224,284
Grants payable	1,043,633	-	1,043,633	1,227,712
Bonds payable	7,232,500	1,472,500	8,705,000	875,000
Due in more than one year:				
Compensated absences	951,982	156,706	1,108,688	17,351
Notes payable	-	-	-	6,151,486
Grants payable	9,849,312	-	9,849,312	9,151,651
Bonds payable	310,070,100	43,444,960	353,515,060	21,375,000
Total liabilities	345,161,953	49,127,036	394,288,989	39,882,583
NET ASSETS				
Invested in capital assets, net of related debt	396,578,552	85,864,409	482,442,961	-
Restricted for:				
Capital projects	34,117,638	27,083,449	61,201,087	-
TIRZ	2,073,689	-	2,073,689	-
Debt service	357,558	-	357,558	-
Special revenue	2,155,750	-	2,155,750	-
Other	-	-	-	250,654
Unrestricted	15,933,149	19,266,574	35,199,723	812,300
Total net assets	\$ 451,216,336	\$ 132,214,432	\$ 583,430,768	\$ 1,062,954

The notes to the financial statements are an integral part of this statement.

City of Frisco
Statement of Activities
For the year ended September 30, 2003

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Function/program activities				
Primary government:				
Governmental activities:				
General government	\$ 15,869,771	8,902,073	-	-
Public safety	14,633,178	948,289	180,891	14,890
Public works	14,322,278	-	-	4,926,666
Culture & recreation	4,332,668	1,349,437	-	6,899,734
Interest on long-term debt	8,684,666	-	-	-
Total governmental activities	57,842,561	11,199,799	180,891	11,841,290
Business-type activities:				
Water and sewer	20,578,940	20,634,628	-	422,204
Environmental services	4,131,295	3,956,029	50,373	-
Superdome	168,045	62,039	-	-
Total business-type activities	24,878,280	24,652,696	50,373	422,204
Total primary government	\$ 82,720,841	35,852,495	231,264	12,263,494
Component units:				
Component units	\$ 6,387,060	-	26,320	6,500
Total component units	\$ 6,387,060	-	26,320	6,500

General revenues:

- Ad valorem tax
- Sales tax
- Franchise tax
- Other taxes
- Intergovernmental , not restricted to specific programs
- Investment earnings
- Miscellaneous

Transfers

- Total general revenues and transfers
- Change in net assets
- Net assets - beginning (restated)
- Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(6,967,698)	-	(6,967,698)	-
(13,489,108)	-	(13,489,108)	-
(9,395,612)	-	(9,395,612)	-
3,916,503	-	3,916,503	-
(8,684,666)	-	(8,684,666)	-
(34,620,581)	-	(34,620,581)	-
-	477,892	477,892	-
-	(124,893)	(124,893)	-
-	(106,006)	(106,006)	-
-	-	-	-
-	246,993	246,993	-
(34,620,581)	246,993	(34,373,588)	-
			\$ (6,354,240)
			\$ (6,354,240)
18,556,306	-	18,556,306	-
12,037,581	-	12,037,581	12,037,581
3,775,702	-	3,775,702	-
1,147,830	-	1,147,830	-
9,231,170	-	9,231,170	-
1,526,677	351,660	1,878,337	217,202
869,309	-	869,309	221,601
35,980	(35,980)	-	-
47,180,555	315,680	47,496,235	12,476,384
12,559,974	562,673	13,122,647	6,122,144
438,656,362	131,651,759	570,308,121	(5,059,190)
\$ 451,216,336	132,214,432	583,430,768	1,062,954



FRISCO

CITY OF FRISCO
Balance Sheet
Governmental Funds
September 30, 2003

	<u>General</u>	<u>TIRZ#1</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 19,166,064	\$ 998,832	\$ -	\$ 9,892,395	\$ 30,057,291
Investments	2,045,000	-	-	-	2,045,000
Receivables (net of allowances for uncollectibles):					
Property tax	402,405	8,815	-	96,140	507,360
Sales tax	2,067,064	-	-	-	2,067,064
Occupancy tax	-	-	-	251,968	251,968
Grants	96,596	-	-	-	96,596
Other	691,926	84,040	565,368	360,781	1,702,115
Due from other funds	6,759,233	1,812,116	10,969,211	846,126	20,386,686
Due from component unit	172,265	-	290,973	-	463,238
Inventories	3,733	-	-	-	3,733
Prepays	107,487	-	-	105	107,592
Restricted assets:					
Cash and cash equivalents	-	-	154,181,881	-	154,181,881
Investments	-	-	40,282,603	-	40,282,603
Total assets	<u>\$ 31,511,773</u>	<u>2,903,803</u>	<u>206,290,036</u>	<u>11,447,515</u>	<u>252,153,127</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 888,166	\$ 3,314	\$ 5,076,132	\$ -	\$ 5,967,612
Retainage payable	-	-	927,302	-	927,302
Accrued interest payable	-	-	-	815,641	815,641
Accrued liabilities	587,988	-	-	-	587,988
Deferred revenue	596,636	444,636	296,592	78,844	1,416,708
Monies held in escrow	135,489	-	2,472,277	183,922	2,791,688
Due to other funds	11,164,089	470,817	6,795,538	1,295,392	19,725,836
Due to component units	-	-	30,145	-	30,145
Total liabilities	<u>13,372,368</u>	<u>918,767</u>	<u>15,597,986</u>	<u>2,373,799</u>	<u>32,262,920</u>
Fund balances:					
Reserved for encumbrances in:					
General fund	218,116	-	-	-	218,116
Capital project funds	-	-	15,454,231	-	15,454,231
Reserved for:					
Prepays & inventories	111,220	-	-	-	111,220
Debt service	-	-	-	278,714	278,714
Unreserved, designated in:					
Special revenue for future commitments	-	1,985,036	-	724,568	2,709,604
Capital projects for future construction	-	-	175,237,819	6,639,252	181,877,071
Unreserved, undesignated in:					
General fund	17,810,069	-	-	-	17,810,069
Special revenue fund	-	-	-	1,431,182	1,431,182
Total Fund Balances	<u>18,139,405</u>	<u>1,985,036</u>	<u>190,692,050</u>	<u>9,073,716</u>	<u>219,890,207</u>
Total Liabilities and Fund Balances	<u>\$ 31,511,773</u>	<u>\$ 2,903,803</u>	<u>\$ 206,290,036</u>	<u>\$ 11,447,515</u>	<u>\$ 252,153,127</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Reconciliation of the Statement of Net Assets of
Governmental Funds to the Balance Sheet
As of September 30, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per balance sheet	\$ 219,890,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	562,152,992
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.	836,314
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	1,798,006
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(333,461,183)
Net assets of governmental activities	<u><u>\$ 451,216,336</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2003

	<u>General</u>	<u>TIRZ#1</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Property	\$ 12,337,021	\$ 1,629,296	\$ -	\$ 4,651,851	\$ 18,618,168
Sales	12,037,581	-	-	-	12,037,581
Franchise	3,775,702	-	-	-	3,775,702
Hotel/motel	-	-	-	887,061	887,061
Other	260,769	-	-	-	260,769
Licenses and permits	8,069,308	-	-	-	8,069,308
Public safety	1,129,180	-	-	-	1,129,180
Intergovernmental	-	8,207,468	4,137,754	648,688	12,993,910
Charges for services	801,218	548,219	-	-	1,349,437
Fines	819,951	-	-	-	819,951
Special assessments	-	-	-	1,704,027	1,704,027
Investment earnings	297,542	10,009	1,095,157	123,969	1,526,677
Contributions and donations	-	-	5,993,891	-	5,993,891
Miscellaneous	393,176	-	540	475,593	869,309
Total revenues	<u>39,921,448</u>	<u>10,394,992</u>	<u>11,227,342</u>	<u>8,491,189</u>	<u>70,034,971</u>
EXPENDITURES:					
Current:					
General government	8,371,632	6,988,537	-	173,547	15,533,716
Public safety	13,240,048	-	-	-	13,240,048
Public works	2,722,869	-	-	-	2,722,869
Culture and recreation	3,065,134	-	-	-	3,065,134
Capital outlay	211,691	-	81,171,739	-	81,383,430
Debt service:					-
Principal retirement	1,005,620	-	-	2,486,700	3,492,320
Interest and fiscal charges	578,461	-	1,847,379	6,710,649	9,136,489
Total expenditures	<u>29,195,455</u>	<u>6,988,537</u>	<u>83,019,118</u>	<u>9,370,896</u>	<u>128,574,006</u>
Excess (deficiency) of revenues over expenditures	10,725,993	3,406,455	(71,791,776)	(879,707)	(58,539,035)
OTHER FINANCING SOURCES (USES):					
Bond proceeds	-	-	175,439,343	-	175,439,343
Bond premium	-	-	13,145,124	-	13,145,124
Bond discount	-	-	(29,136)	-	(29,136)
Transfers in	-	912,116	9,449,109	4,796,615	15,157,840
Transfers out	(9,334,011)	(3,311,849)	(1,090,304)	(1,385,696)	(15,121,860)
Total other financing sources (uses)	<u>(9,334,011)</u>	<u>(2,399,733)</u>	<u>196,914,136</u>	<u>3,410,919</u>	<u>188,591,311</u>
Net change in fund balances	1,391,982	1,006,722	125,122,360	2,531,212	130,052,276
Fund balances, beginning	16,747,423	978,314	65,569,690	6,542,504	89,837,931
Fund balances, ending	<u>\$ 18,139,405</u>	<u>\$ 1,985,036</u>	<u>\$ 190,692,050</u>	<u>\$ 9,073,716</u>	<u>\$ 219,890,207</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended September 30, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 130,052,276
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	67,560,349
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Governmental funds do not report the revenues, whereas these amounts are reported in the statement of activities.	296,256
The issuance of long-term debt (e.g. bonds, tax anticipation notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(184,692,509)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(656,398)
Change in net assets of governmental activities	<u>\$ 12,559,974</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
General Fund Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2003

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Taxes:						
Property	\$ 11,808,596	\$ 12,316,911	\$ 12,337,021	\$ -	\$ 12,337,021	\$ 20,110
Sales	10,250,000	10,250,000	12,037,581	-	12,037,581	1,787,581
Franchise	2,962,057	3,344,000	3,775,702	-	3,775,702	431,702
Other	225,000	231,000	260,769	-	260,769	29,769
Licenses and permits	2,335,000	6,621,000	8,069,308	-	8,069,308	1,448,308
Public safety	857,500	921,630	1,129,180	-	1,129,180	207,550
Charges for service	302,500	650,385	801,218	-	801,218	150,833
Fines	576,500	742,382	819,951	-	819,951	77,569
Investment earnings	370,000	286,000	297,542	-	297,542	11,542
Miscellaneous	18,100	186,634	393,176	-	393,176	206,542
Total revenues	<u>29,705,253</u>	<u>35,549,942</u>	<u>39,921,448</u>	<u>-</u>	<u>39,921,448</u>	<u>4,371,506</u>
EXPENDITURES:						
Current:						
General government	9,228,327	9,238,223	8,371,632	74,678	8,446,310	791,913
Public safety	13,396,634	13,062,005	13,240,048	14,735	13,254,783	(192,778)
Public works	2,787,695	2,792,191	2,722,869	14,934	2,737,803	54,388
Culture-recreation	2,993,575	3,343,710	3,065,134	48,951	3,114,085	229,625
Debt Service	1,584,081	1,584,081	1,584,081	-	1,584,081	-
Capital Outlay	-	291,712	211,691	64,818	276,509	15,203
Total expenditures	<u>29,990,312</u>	<u>30,311,922</u>	<u>29,195,455</u>	<u>218,116</u>	<u>29,413,571</u>	<u>898,351</u>
Excess (deficiency) of revenues over expenditures	(285,059)	5,238,020	10,725,993	(218,116)	10,507,877	5,269,857
OTHER FINANCING SOURCES (USES):						
Transfers in	415,000	415,000	-	-	-	415,000
Transfers out	(4,100,797)	(9,334,011)	(9,334,011)	-	(9,334,011)	-
Total other financing sources (uses)	(3,685,797)	(8,919,011)	(9,334,011)	-	(9,334,011)	415,000
Net change in fund balances	(3,970,856)	(3,680,991)	1,391,982	(218,116)	1,173,866	4,854,857
Fund balances, October 1	<u>16,747,423</u>	<u>16,747,423</u>	<u>16,747,423</u>	<u>-</u>	<u>16,747,423</u>	<u>-</u>
Fund balances, September 30	<u>\$ 12,776,567</u>	<u>\$ 13,066,432</u>	<u>\$ 18,139,405</u>	<u>\$ (218,116)</u>	<u>\$ 17,921,289</u>	<u>\$ 4,854,857</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Adjustments to Revenues, Expenditures and Other
Financing Uses from GAAP Basis to Budgetary Basis
For the year ended September 30, 2003

	Net Change in Fund Balances
GAAP basis	\$ 1,391,982
Expenditures:	
Increase due to encumbrances	(218,116)
Budgetary basis	\$ 1,173,866

The notes to the financial statements are an integral part of this statement.



FRISCO

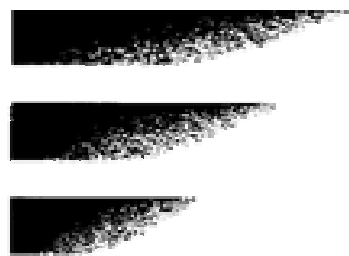
CITY OF FRISCO
Statement of Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,860,212	\$ 186,835	\$ 15,047,047
Investments	-	1,626,094	1,626,094
Receivables - (net of allowance for uncollectibles):			
Utility bills	2,661,726	-	2,661,726
Grants	-	9,614	9,614
Other	87,790	75,574	163,364
Due from other funds	224,689	517,985	742,674
Due from component units	2	-	2
Inventories	84,283	-	84,283
Prepaid expenses & other assets	25,937	275	26,212
Deferred charges	23,124	-	23,124
Total current assets	<u>17,967,763</u>	<u>2,416,377</u>	<u>20,384,140</u>
Restricted assets:			
Water & sewer			
Cash and cash equivalents	3,167,625	-	3,167,625
Total water & sewer	<u>3,167,625</u>	<u>-</u>	<u>3,167,625</u>
Impact fee			
Cash and cash equivalents	1,479,756	-	1,479,756
Due from other funds	90	-	90
Total Impact fee	<u>1,479,846</u>	<u>-</u>	<u>1,479,846</u>
Utility capital projects			
Cash and cash equivalents	18,614,929	-	18,614,929
Investments	7,933,799	-	7,933,799
Prepaid expenses & other assets	1,000	-	1,000
Total utility capital projects	<u>26,549,728</u>	<u>-</u>	<u>26,549,728</u>
Total restricted assets	<u>31,197,199</u>	<u>-</u>	<u>31,197,199</u>
Due in more than one year:			
Deferred charges	381,874	-	381,874
Total due in more than one year	<u>381,874</u>	<u>-</u>	<u>381,874</u>
Capital assets:			
Land	4,497,759	-	4,497,759
Buildings	521,700	2,917,139	3,438,839
Improvements other than buildings	142,478,011	-	142,478,011
Machinery & equipment	2,224,268	310,808	2,535,076
Construction in progress	5,220,917	-	5,220,917
Less accumulated depreciation	<u>(26,815,965)</u>	<u>(572,768)</u>	<u>(27,388,733)</u>
Total capital assets (net of accumulated depreciation)	<u>128,126,690</u>	<u>2,655,179</u>	<u>130,781,869</u>
Total non-current assets	<u>159,705,763</u>	<u>2,655,179</u>	<u>162,360,942</u>
Total assets	<u>\$ 177,673,526</u>	<u>\$ 5,071,556</u>	<u>\$ 182,745,082</u>

The notes to the financial statements are an integral part of this statement.

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 642,469	\$ 170,553	\$ 813,022
Accrued liabilities	685,693	6,991	692,684
Due to other funds	789,521	264,330	1,053,851
Liability for compensated absences	240,112	15,565	255,677
Current liabilities	<u>2,357,795</u>	<u>457,439</u>	<u>2,815,234</u>
Current liabilities payable from restricted assets:			
Accounts payable	596,362	-	596,362
Due to other funds	349,763	-	349,763
Current portion of long-term debt	1,472,500	-	1,472,500
Deposits	1,695,125	-	1,695,125
Total current liabilities payable from restricted assets	<u>4,113,750</u>	<u>-</u>	<u>4,113,750</u>
Noncurrent liabilities:			
Bonds payable	43,444,960	-	43,444,960
Liability for compensated absences	147,166	9,540	156,706
Total noncurrent liabilities	<u>43,592,126</u>	<u>9,540</u>	<u>43,601,666</u>
Total liabilities	<u>50,063,671</u>	<u>466,979</u>	<u>50,530,650</u>
NET ASSETS			
Invested in capital assets (net of related debt)	83,209,230	2,655,179	85,864,409
Restricted for:			
Capital projects	25,603,603	-	25,603,603
Impact fees	1,479,846	-	1,479,846
Unrestricted	<u>17,317,176</u>	<u>1,949,398</u>	<u>19,266,574</u>
Total net assets	<u>\$ 127,609,855</u>	<u>\$ 4,604,577</u>	<u>\$ 132,214,432</u>

The notes to the financial statements are an integral part of this statement.



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CITY OF FRISCO
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 13,649,381	-	\$ 13,649,381
Sewer charges	4,494,033	-	4,494,033
Service charges	353,888	-	353,888
Sanitation charges	-	3,952,879	3,952,879
Water and sewer connections	940,276	-	940,276
Inspection fees	1,122,142	-	1,122,142
Other receipts	-	47,325	47,325
Miscellaneous	74,908	68,237	143,145
Total operating revenues	<u>20,634,628</u>	<u>4,068,441</u>	<u>24,703,069</u>
OPERATING EXPENSES:			
Cost of sales and services	11,703,632	4,009,313	15,712,945
Administration	2,554,041	157,853	2,711,894
Depreciation	5,016,387	132,174	5,148,561
Amortization	11,956	-	11,956
Total operating expenses	<u>19,286,016</u>	<u>4,299,340</u>	<u>23,585,356</u>
Operating income (loss)	<u>1,348,612</u>	<u>(230,899)</u>	<u>1,117,713</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	299,025	52,635	351,660
Interest expense	(1,292,924)	-	(1,292,924)
Total nonoperating revenues (expenses)	<u>(993,899)</u>	<u>52,635</u>	<u>(941,264)</u>
Income (loss) before transfers and capital contributions	354,713	(178,264)	176,449
TRANSFERS:			
Transfers out	<u>(35,980)</u>	<u>-</u>	<u>(35,980)</u>
Income (loss) before capital contributions	318,733	(178,264)	140,469
CAPITAL CONTRIBUTIONS:			
Capital contributions	<u>422,204</u>	<u>-</u>	<u>422,204</u>
Change in net assets	740,937	(178,264)	562,673
Total net assets - beginning	<u>126,868,918</u>	<u>4,782,841</u>	<u>131,651,759</u>
Total net assets - ending	<u>127,609,855</u>	<u>4,604,577</u>	<u>132,214,432</u>

The notes to the financial statements are an integral part of this statement.

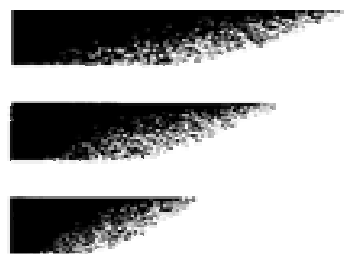
CITY OF FRISCO
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 21,478,096	\$ 3,956,559	\$ 25,434,655
Cash payments to suppliers for goods and services	(10,035,962)	(4,169,402)	(14,205,364)
Cash payments to employees for services	(4,120,883)	(264,672)	(4,385,555)
Other receipts	74,908	47,325	122,233
Net cash provided (used) by operating activities	<u>7,396,159</u>	<u>(430,190)</u>	<u>6,965,969</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from interfund borrowing/(loans)	(3,821,640)	6,659	(3,814,981)
Loans made to other funds	-	120,732	120,732
Operating transfers to other funds	(35,980)	-	(35,980)
Net cash provided (used) by noncapital financing activities	<u>(3,857,620)</u>	<u>127,391</u>	<u>(3,730,229)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(3,356,403)	-	(3,356,403)
Principal paid on long-term debt	(908,300)	-	(908,300)
Interest and fees paid on long-term debt	(1,073,426)	-	(1,073,426)
Bond proceeds	25,356,258	-	25,356,258
Bond issuance costs paid	(297,803)	-	(297,803)
Capital contributions	422,204	-	422,204
Net cash provided by capital and related financing activities	<u>20,142,530</u>	<u>-</u>	<u>20,142,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(7,933,799)	(1,636,636)	(9,570,435)
Proceeds from sale and maturities of investment securities	-	52,635	52,635
Interest on investments	299,025	-	299,025
Net cash (used) by investing activities	<u>(7,634,774)</u>	<u>(1,584,001)</u>	<u>(9,218,775)</u>
Net Increase (decrease) in cash and cash equivalents	16,046,295	(1,886,800)	14,159,495
Cash and cash equivalents, October 1	<u>22,076,227</u>	<u>2,073,635</u>	<u>24,149,862</u>
Cash and cash equivalents, September 30	<u>\$ 38,122,522</u>	<u>\$ 186,835</u>	<u>\$ 38,309,357</u>
Classified as:			
Current assets	\$ 14,860,212	\$ 186,835	\$ 15,047,047
Restricted assets	23,262,310	-	23,262,310
Total	<u>\$ 38,122,522</u>	<u>\$ 186,835</u>	<u>\$ 38,309,357</u>

The notes to the financial statements are an integral part of this statement.

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (loss)	\$ 1,348,612	\$ (230,899)	1,117,713
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,016,387	132,174	5,148,561
Amortization	11,956	-	11,956
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	280,369	-	280,369
Receivables - other	215,904	(64,557)	151,347
Prepaid expenses and other assets	(12,975)	(275)	(13,250)
Inventories	55,743	-	55,743
Increase (decrease) in-			
Accounts payable	116,681	(263,090)	(146,409)
Accrued liabilities	27,747	3,006	30,753
Liability for compensated absences	88,839	(6,549)	82,290
Deposits	246,896	-	246,896
Total adjustments	6,047,547	(199,291)	5,848,256
Net cash provided (used) by operating activities	<u>\$ 7,396,159</u>	<u>\$ (430,190)</u>	<u>\$ 6,965,969</u>

The notes to the financial statements are an integral part of this statement.



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CITY OF FRISCO
Combining Statement of Net Assets
Component Units
For the Fiscal Year Ended September 30, 2003

	Community Development	Economic Development	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,490,087	\$ 8,640,945	\$ 19,131,032
Receivables -			
Sales tax	1,033,532	1,033,532	2,067,064
Other	-	8,137	8,137
Due from primary government	-	30,145	30,145
Prepaid expenses	-	254	254
Notes receivable	-	1,232,490	1,232,490
Total current assets	<u>11,523,619</u>	<u>10,945,503</u>	<u>22,469,122</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	9,795,037	8,430,724	18,225,761
Restricted assets:			
Cash and cash equivalents	-	250,654	250,654
Total restricted assets	<u>-</u>	<u>250,654</u>	<u>250,654</u>
Total non- current assets	<u>9,795,037</u>	<u>8,681,378</u>	<u>18,476,415</u>
Total assets	<u>21,318,656</u>	<u>19,626,881</u>	<u>40,945,537</u>
LIABILITIES			
Current:			
Accounts payable	92,719	93,313	186,032
Accrued liabilities	-	9,379	9,379
Liability for compensated absences	-	28,309	28,309
Accrued interest payable	99,771	72,010	171,781
Due to primary government	388,662	74,578	463,240
Unearned revenue	-	1,358	1,358
Notes payable	-	224,284	224,284
Grants payable	613,856	613,856	1,227,712
Certificates of obligation payable	610,000	155,000	765,000
Revenue bonds payable	-	110,000	110,000
Total current liabilities	<u>1,805,008</u>	<u>1,382,087</u>	<u>3,187,095</u>
Non-current:			
Liability for compensated absences	-	17,351	17,351
Notes payable	-	6,151,486	6,151,486
Grants payable	4,579,198	4,572,453	9,151,651
Certificates of obligation	15,185,000	4,565,000	19,750,000
Revenue bonds payable	-	1,625,000	1,625,000
Total non-current liabilities	<u>19,764,198</u>	<u>16,931,290</u>	<u>36,695,488</u>
Total liabilities	<u>21,569,206</u>	<u>18,313,377</u>	<u>39,882,583</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	(250,550)	1,313,504	1,062,954
Total net assets (deficit)	<u>\$ (250,550)</u>	<u>\$ 1,313,504</u>	<u>\$ 1,062,954</u>

The notes to the financial statements are an integral part of this statement.

City of Frisco
Combining Statement of Activities
Component Units
September 30, 2003

Function/Program Activities	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Operating Grants and Contributions</u>
Component units:		
Community Development	\$ 2,399,819	-
Economic Development	<u>3,987,241</u>	<u>26,320</u>
Total component units	<u>6,387,060</u>	<u>26,320</u>

General revenues:
Sales taxes
Miscellaneous
Investment income

Total general revenues
Change in net assets
Net assets - beginning
Net assets - ending

The notes to the financial statements are an integral part of this statement.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Component Units</u>		
	<u>Community Development</u>	<u>Economic Development</u>	<u>Total</u>
6,500	(2,393,319)		(2,393,319)
-	-	(3,960,921)	(3,960,921)
<u>6,500</u>	<u>(2,393,319)</u>	<u>(3,960,921)</u>	<u>(6,354,240)</u>
	6,018,791	6,018,790	12,037,581
	82,624	138,977	221,601
	124,057	93,145	217,202
	<u>6,225,472</u>	<u>6,250,912</u>	<u>12,476,384</u>
	<u>3,832,153</u>	<u>2,289,991</u>	<u>6,122,144</u>
	<u>(4,082,703)</u>	<u>(976,487)</u>	<u>(5,059,190)</u>
	<u>\$ (250,550)</u>	<u>\$ 1,313,504</u>	<u>\$ 1,062,954</u>

City of Frisco
Reconciliation of the Statement of Net Assets of
Component Units to the Balance Sheet
As of September 30, 2003

Amounts reported for component unit activities in the statement of net assets are different because:

Total fund balances per balance sheet	\$ 22,059,767
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,225,761
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Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	22,250,000	
Grants payable	10,379,363	
Notes payable	6,375,770	
Accrued interest payable	171,781	
Compensated absences	45,660	
Total long-term liabilities	39,222,574	(39,222,574)

Total net assets - component units	\$ 1,062,954
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Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Component Units
To the Statement of Activities
For the Year Ended September 30, 2003

Amounts reported for component units in the statement of activities are different because:

Net change in fund balances - total component units	\$ 4,442,085
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(31,173)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,732,994
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(21,762)
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Change in net assets of component units	\$ 6,122,144
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CITY OF FRISCO, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Frisco, Texas ("City") was originally incorporated in 1908 and chartered on April 4, 1987, and is a municipal corporation incorporated under provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The financial statements of the City have been prepared to conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City government has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The City implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

The basic financial statements are prepared in conformity with GASB Statement 34, which requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City’s statement of net assets includes both non-current assets and non-current liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City’s fixed assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The proprietary fund type financial statements are prepared using the accrual basis of accounting. Accordingly, the accounting and financial reporting of the City’s funds is similar to that previously presented in the City’s financial statements, although the format of financial statements has been modified by Statement No. 34.

Statement No. 34 also requires supplementary information in Management’s Discussion and Analysis, which includes an analytical overview of the City’s financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and revised General Fund budget with actual results.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

Other new statements include Statements 37, 38 and GASB Interpretation 6. GASB Statement 37, clarifies certain GASB 34 provisions related to MD&A requirements and the modified approach to infrastructure as well as other topics. GASB Statement No. 38 modifies note disclosure requirements. GASB Interpretation 6 clarifies the application of modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements. Specifically, GASB Interpretation 6 indicates that liabilities for debt, compensated absences, claims and judgments, and special termination benefits are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities and expenditures only to the extent that they mature each period. The most significant accounting and reporting policies of the City are described in the following notes to the financial statements.

B. Reporting Entity

The City is governed by an elected mayor and a six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and the entities for which the City is considered to be financially accountable (component units). Discretely presented component units are reported in a separate column in the basic financial statements in order to emphasize that they are legally separate from the City.

The Frisco Economic Development Corporation (FEDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FEDC provides marketing and economic development services to the City, and the City provides for custody and investment of FEDC assets, various administrative/personnel/legal services and the majority of funding for the FEDC budget. The FEDC will be presented as a discretely presented component unit.

The Frisco Community Development Corporation (FCDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FCDC benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs. The FCDC is presented as a discretely presented component unit.

The FEDC and FCDC do not prepare separate financial statements. However, the presentations in the basic financial statements are a complete presentation.

The financial statements of the City are formatted to allow the user to clearly distinguish between primary government and its discretely presented component units.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, General Government, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, interest income).

Separate funds based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of applicable fund category and for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the applicable fund financial statements.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6 adopted in Fiscal Year 2003.

Ad valorem, franchise, and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund and Tax Increment Reinvestment Zone #1 are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available until cash is received. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met and amounts are considered measurable and available. Additionally, funds received in advance for which all eligibility requirements have not been met or for which amounts are not considered measurable and available are considered deferred revenue.

Proprietary fund statements of revenues, expenses and changes in fund net assets present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer, Environmental Services, and Superdome funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City of Frisco does not have internal service funds, which traditionally provide service primarily to other funds of the government. Nor does the City of Frisco have fiduciary funds.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

The following funds are used by the City of Frisco:

1. Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Culture & Recreation, General Government) and is the primary operating unit of the City.
- b. Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.
- c. Tax Increment Reinvestment Zone #1 Fund accounts for revenue sources that are legally restricted to expenditure for special purposes within the zone.
- d. Other Governmental Funds is a summarization of all of the non-major governmental funds.

2. Proprietary Funds:

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to private-sector businesses. The following is a description of the major Proprietary Funds of the City:

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for contractual obligation bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
- b. Other Enterprise Funds is a summarization of all of the non-major proprietary funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

Cash in all funds, excluding the City's payroll account, general obligation interest and sinking account, and economic development corporation account, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

F. Inventories and Prepaid Items

Inventories of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid items are payments made by the City in the current fiscal year to provide services occurring in the subsequent fiscal year.

A reservation for inventories and prepaid items is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the changes in fund balance/net assets of both governmental and proprietary funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements.

All purchased capital assets are valued at cost where historical records are available, or at an estimated cost where no historical records exist. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainages systems, and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or more and an estimated useful life greater than one year. Outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-25 years
Improvements other than Buildings	20-30 years
Vehicles	3-15 years
Machinery & Equipment	3-20 years

The costs of normal maintenance and repairs that do not materially add to the value of the asset or significantly extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

I. Compensated Absences

The City allows employees to accumulate earned but unused vacation benefits to a maximum of 240 hours. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights. Upon termination, the City pays to employees with over one year of service, up to a maximum of 240 hours of vacation, and up to 240 hours of sick leave. Vacation and sick leave in excess of the 240 hour maximum is not paid upon termination. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

J. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants include several police grants, which are accounted for within the General Fund. Various state grants are included in the General Fund and Proprietary Funds (Environmental Services).

K. Long-term Debt

General Obligation Bonds and Certificate of Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method in the proprietary fund and the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, issuance costs, as well as bond premiums and discounts are recognized when incurred.

Certificate of Obligation Bonds have been issued to fund capital projects of the Proprietary Funds. Such bonds are to be repaid from the net revenues of the applicable Proprietary Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

L. Retirement Plans

The City has one retirement plan covering substantially all employees. It is the City's policy to record the costs for such plans on the accrual basis.

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$333,461,183 difference are as follows:

Bonds payable	\$ 304,601,943
Bond discount (to be amortized as interest expense)	(28,407)
Bond premiums (to be amortized over the life of the bonds)	12,729,064
Accrued interest payable	2,687,157
Grants payable	10,892,945
Rebatable arbitrage	41,899
Compensated absences	<u>2,536,582</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 333,461,183</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$ 67,560,349 difference are as follows:

Capital outlay	\$81,383,430
Depreciation expense	<u>(13,823,081)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$67,560,349</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$184,692,509 difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$188,555,331
Premium amortization	(416,060)
Discount amortization	729
Bond issuance cost incurred during the year	(1,817,946)
Bond issuance cost amortization	19,940
Accrued interest on bonds	1,842,836
Principal repayments:	
Bonds	(2,486,700)
Sales tax grant payables	<u>(1,005,621)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$184,692,509</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$656,398 difference are as follows:

Compensated absences	\$737,720
Rebutable arbitrage liability change	<u>(81,322)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$656,398</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Information

Annual appropriated budgets are legally adopted for the general fund, debt service fund, capital projects funds, and enterprise funds. No budgets were adopted for special revenue funds. The legal level of authority is at the fund level. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for certain capital projects funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through the passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Funds. Supplemental appropriations were made during the fiscal year, during the revised budget process.
6. The budget approved for the discretely presented component units follow similar approval procedures.
7. The budget approved for the Water and Sewer Fund, the Environmental Services Fund, and Superdome Fund follows similar approval procedures, but departs from general accepted accounting principles by not including depreciation in the approved budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured up to \$100,000 or collateralized as required by State statutes at September 30, 2003. At year-end, the carrying amount of the City's demand deposits was an overdraft of \$386,693 (bank balance, \$3,384,508). The bank balance was covered by collateral with a fair value of \$4,032,084. The collateral is held in the City's name by the Texas Independent Banker, an agent of the City's financial institution. (Category 2 – Collateralized with securities held by the pledging financial institution's agent in the City's name).

Investments – State statutes and City Policy authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers' acceptances, government pools and money market funds consisting of any of these securities listed.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counter party's trust department or agent in the entity's name. Category 3 includes investments that are uninsured and unregistered, or for which the securities are held by the counter party, or by its trust department or agent but not the entity's name. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, not categorized for custodial credit risk.

The City's investments carried at fair value as of September 30, 2003 are:

	Category			Carrying Amount	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments not subject to categorization:					
Texas local government investment pool	-	-	-	\$ 66,610,763	\$ 66,610,763
TexStar investment pool	-	-	-	156,321,409	156,321,409
Other Investments:					
Obligations of the U.S. government and its agencies	<u>51,887,496</u>	-	-	<u>51,887,496</u>	<u>51,887,496</u>
Total	<u>\$51,887,496</u>	-	-	<u>\$274,819,668</u>	<u>\$274,819,668</u>

At year end, the FEDC's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments not subject to categorization:					
Texas local government investment pool	-	-	-	\$ 7,767,627	\$ 7,767,627

At year end, the FCDC's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments not subject to categorization:					
Texas local government investment pool	-	-	-	\$ 10,490,087	\$ 10,490,087

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board Members review the investment policy and management fee structure.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar is an investment pool created by the initial participants for the joint investment of the participant's public funds and funds under their control. TexStar was created under the authority of applicable Texas law, including the Cooperating Act and the Investment Act. The business and affairs of TexStar are managed by a governing Board which has also appointed an Advisory Board consisting of representatives of participants and other persons who do not have a business relationship with TexStar and are qualified to advise the Board.

TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, and accordingly, the fair value of the position of TexStar is the same as the value of TexStar shares.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government and component units follows:

	Primary Government	Component Units	Reporting Entity
Cash on hand	\$ 3,050	\$ -	\$ 3,050
Carrying amount of deposits	(386,693)	1,123,972	737,279
Carrying amount of investments	<u>274,819,668</u>	<u>18,257,714</u>	<u>293,077,382</u>
Total	<u>\$ 274,436,025</u>	<u>\$ 9,381,686</u>	<u>\$293,817,711</u>
Cash and cash equivalents	\$ 45,104,338	\$19,131,032	\$64,235,370
Cash equivalents – restricted	177,444,191	250,654	177,694,845
Investments	3,671,094	-	3,671,094
Investments – restricted	<u>48,216,402</u>	<u>-</u>	<u>48,216,402</u>
Total	<u>\$ 274,436,025</u>	<u>\$19,381,686</u>	<u>\$293,817,711</u>

NOTE 5. RECEIVABLES

Receivables at September 30, 2003 for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

Governmental				Other Governmental Funds	Total
	General	TIRZ#1	Capital Projects		
Property tax	\$ 423,583	\$ 13,702	\$ -	\$ 101,200	\$ 538,485
Sales tax	2,067,064	-	-	-	2,067,064
Franchise tax	262,078	-	-	-	262,078
Occupancy tax	-	-	-	251,968	251,968
Mixed beverage tax	74,446	-	-	-	74,446
Accrued interest	25,500	-	242,614	-	268,114
Grants	96,596	-	-	-	96,596
Other	<u>329,903</u>	<u>84,040</u>	<u>322,754</u>	<u>360,781</u>	<u>1,097,478</u>
Gross receivables	3,279,170	97,742	565,368	713,949	4,656,229
Less: allowance	<u>(21,179)</u>	<u>(4,887)</u>	<u>-</u>	<u>(5,060)</u>	<u>(31,126)</u>
Net receivables	<u>\$3,257,991</u>	<u>\$ 92,855</u>	<u>\$ 565,368</u>	<u>\$ 708,889</u>	<u>\$4,625,103</u>
Business-type Activities				Total	
		Water & Sewer	Other Business- type Activities		
Utility bills		\$2,881,104	\$ -	\$2,881,104	
Accrued interest		-	10,542	10,542	
Grants		-	9,614	9,614	
Other		<u>87,790</u>	<u>65,032</u>	<u>152,822</u>	
Gross receivables		2,968,894	85,188	3,054,082	
Less: allowance		<u>(219,378)</u>	<u>-</u>	<u>(219,378)</u>	
Net receivables		<u>\$2,749,516</u>	<u>\$ 85,188</u>	<u>\$2,834,704</u>	
Component Units				Total	
		Community Development Corporation	Economic Development Corporation		
Sales taxes		\$1,033,532	\$1,033,532	\$2,067,064	
Other		-	8,137	8,137	
Gross receivables		2,968,894	85,188	2,075,201	
Less: allowance		<u>-</u>	<u>-</u>	<u>-</u>	
Net receivables		<u>\$1,033,532</u>	<u>\$1,041,669</u>	<u>\$2,075,201</u>	

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

The Proprietary Fund accounts receivable include unbilled charges for services rendered at September 30, 2003.

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased by 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

Notes Receivable. The FEDC loaned \$120,000 to a local business to assist them with expansion to a new facility, including roadway infrastructure for better access. The note was dated December 20, 1995 and is to be paid in 120 monthly installments, including interest computed at a varying rate based upon the prime interest rate. The note is secured by a second lien on the improved property. Funds for the note were loaned to the FEDC by the Texas Department of Commerce. The note is current and has a balance at September 30, 2003, of \$34,998.

On May 17, 2000, the FEDC entered into an agreement to loan a developer up to \$600,000 for public improvements, of which \$250,000 is forgivable, plus interest, upon attaining certain performance requirements. The note will not bear any interest for a period of twelve (12) months from the date of execution. In the event that the loan is not repaid in full on or before September 21, 2001, the balance of the loan shall begin accruing interest at the "prime rate" published in the "Money Rates" table in the *Wall Street Journal*. Interest is payable in quarterly installments as it accrues. The unpaid principal and accrued interest is due on March 31, 2004. The note plus accrued interest has a balance at September 30, 2003, of \$578,840.

On October 8, 2001, the FEDC also entered into an agreement with the developer to provide a \$50,000 interest-free public infrastructure construction loan, payable in full within two years from the disbursement date on July 16, 2003. If the loan is not paid in full when due, interest at the rate of *Wall Street Journal* prime floating plus two percent shall be imposed until the loan balance and interest is paid in full. The note has a balance at September 30, 2003, of \$50,000.

On March 15, 2002, the FEDC also entered into an agreement to loan a developer up to \$850,000 for public improvements. All unpaid principal and interest accrued shall be due on or before eighteen (18) months of the date of issuance of the construction permit from the City. The unpaid principal shall begin accruing interest at six (6) percent per annum on all amounts disbursed. The note has a balance at September 30, 2003, of \$468,652.

On September 27, 2002, the FEDC executed an agreement to loan a developer \$500,000 to make public infrastructure improvements. The note will not bear any interest for a period of twelve (12) months from the date of execution. In the event the Note is not paid in full within twelve (12) months from the date of execution, the note balance shall begin accruing interest at a rate equal to *Wall Street Journal* prime floating rate until the note, plus interest, is paid in full. Following the twelve (12) month no interest period, the developer will begin paying quarterly interest payments based on the unpaid balance of the note. The note will be forgivable by the FEDC, up to \$100,000, subject to certain public improvements being made by the developer. The note has a balance at September 30, 2003, of \$100,000.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

Governmental	Balance 9/30/2002	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2003
Capital assets, not being depreciated:				
Land	\$ 158,938,905	\$ 23,275,562	\$ -	\$ 182,214,467
Construction-in-progress	<u>19,299,650</u>	<u>20,388,707</u>	<u>(4,877,769)</u>	<u>34,810,588</u>
Total capital assets, not being depreciated	<u>178,238,555</u>	<u>43,664,269</u>	<u>(4,877,769)</u>	<u>217,025,055</u>
Capital assets, being depreciated:				
Machinery and equipment	12,028,091	1,168,938	-	13,197,029
Buildings and improvements	27,208,684	35,785,375	-	62,994,059
Improvements other than buildings	<u>347,677,596</u>	<u>5,549,548</u>	<u>-</u>	<u>353,227,144</u>
Total capital assets being depreciated	386,914,371	42,503,861	-	429,418,232
Less accumulated depreciated:				
Machinery and equipment	(4,622,760)	(1,086,670)	-	(5,709,430)
Buildings and improvements	(17,870,923)	(1,356,192)	-	(19,227,115)
Improvements other than buildings	<u>(47,973,531)</u>	<u>(11,380,219)</u>	<u>-</u>	<u>(59,353,750)</u>
Total accumulated depreciation	<u>(70,467,214)</u>	<u>(13,823,081)</u>	<u>-</u>	<u>(84,290,295)</u>
Total capital assets, being depreciated, net	<u>316,447,157</u>	<u>28,680,780</u>	<u>-</u>	<u>345,127,937</u>
Governmental activities capital assets, net	<u>\$ 494,685,712</u>	<u>\$ 72,345,049</u>	<u>\$ (4,877,769)</u>	<u>\$ 562,152,992</u>
Business type Activities	Balance 9/30/2002	Additions	Retirements/Transfers Other Deductions	Balance 9/30/2003
Capital assets, not being depreciated:				
Land	\$ 4,497,759	\$ -	\$ -	\$ 4,497,759
Construction-in-progress	<u>2,647,783</u>	<u>2,850,053</u>	<u>(276,919)</u>	<u>5,220,917</u>
Total capital assets, not being depreciated	<u>7,145,542</u>	<u>2,850,053</u>	<u>(276,919)</u>	<u>9,718,676</u>
Capital assets, being depreciated:				
Machinery and equipment	2,196,609	338,467	-	2,535,076
Buildings and improvements	3,270,957	167,882	-	3,438,839
Improvements other than buildings	<u>142,201,092</u>	<u>276,919</u>	<u>-</u>	<u>142,478,011</u>
Total capital assets being depreciated	147,668,658	783,268	-	148,451,926
Less accumulated depreciated:				
Machinery and equipment	(729,754)	(288,164)	-	(1,017,918)
Buildings and improvements	(587,184)	(80,565)	-	(667,749)
Improvements other than buildings	<u>(20,923,234)</u>	<u>(4,778,832)</u>	<u>-</u>	<u>(25,703,066)</u>
Total accumulated depreciation	<u>(22,240,172)</u>	<u>(5,148,561)</u>	<u>-</u>	<u>(27,388,733)</u>
Total capital assets, being depreciated, net	125,428,486	(4,365,293)	-	121,063,193
Business-type activities capital assets, net	<u>\$ 132,574,028</u>	<u>\$ (1,515,240)</u>	<u>\$ (276,919)</u>	<u>\$ 130,781,869</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 151,479
Public safety	914,568
Public works	11,569,058
Culture and recreation	<u>1,187,976</u>
Total depreciation expense governmental activities	<u>\$13,823,081</u>

Business-type activities

Water & Sewer	\$ 5,016,386
Environmental services	13,262
Superdome	<u>118,913</u>
Total depreciation expense business-type activities	<u>\$ 5,148,561</u>

Frisco Economic Development Corporation	Balance 9/30/2002	Additions	Retirements/Transfers Other Deductions	Balance 9/30/2003
Capital assets, not being depreciated:				
Land	\$ 8,430,724	\$ 1,179,761	\$ 1,179,761	\$ 8,430,724
Capital assets, being depreciated:				
Machinery and equipment	5,129	-	-	5,129
Total, capital assets being depreciated	5,129	-	-	5,129
Less: accumulated depreciation	(5,129)	-	-	(5,129)
Total capital assets, being depreciated, net	-	-	-	-
FEDC capital assets, net	<u>\$ 8,430,724</u>	<u>\$ 1,179,761</u>	<u>\$ 1,179,761</u>	<u>\$ 8,430,724</u>
Frisco Community Development Corporation	Balance 9/30/2002	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2003
Capital assets, not being depreciated:				
Land	\$ 3,174,758	\$ -	\$ -	\$ 3,174,758
Construction-in-progress	2,608,599	297,975	-	2,906,574
Total capital assets not being depreciated	5,783,357	297,975	-	6,081,332
Capital assets, being depreciated:				
Machinery and equipment	-	20,535	-	20,535
Improvements other than buildings	4,410,382	17,851	-	4,428,233
Total capital assets being depreciated	4,410,382	38,386	-	4,448,768
Less: accumulated depreciation	(367,531)	(367,532)	-	(735,063)
Total capital assets being depreciated, net	4,042,851	(329,146)	-	3,713,705
FCDC capital assets, net	<u>\$ 9,826,208</u>	<u>\$ (31,171)</u>	<u>\$ -</u>	<u>\$ 9,795,037</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

NOTE 7. CONSTRUCTION IN PROGRESS

At September 30, 2003, the City had several projects under construction. A summary of the status of the projects and their related binding contract with the contractors are as follows:

	Scheduled Completion Date	Contract Amount	Costs Incurred Through 9/30/2003	Balance Remaining On Contract
Governmental Capital Assets				
Downtown improvements	Various	\$ 3,128,080	\$ 1,661,941	\$ 1,466,139
Various fire station projects	Various	2,181,646	222,297	1,959,349
Various police projects	Various	996,668	13,238	983,430
Various street projects	Various	46,361,953	32,024,212	14,337,741
Various park projects	Various	4,827,118	888,900	3,938,218
Total governmental capital assets		<u>\$ 57,495,465</u>	<u>\$ 34,810,588</u>	<u>\$ 22,684,877</u>
Business-type Activities/Water & Sewer Fund				
Water system improvements	Various	\$ 5,437,620	\$ 3,656,752	\$ 1,780,868
Sewer system improvements	Various	5,812,125	1,564,165	4,247,960
Total business-type activities		<u>\$ 11,249,745</u>	<u>\$ 5,220,917</u>	<u>\$ 6,028,828</u>
Frisco Community Development Corporation				
Various park projects	Various	\$ 4,886,639	\$ 2,906,574	\$ 1,980,065
Total FCDC		<u>\$ 4,886,639</u>	<u>\$ 2,906,574</u>	<u>\$ 1,980,065</u>

NOTE 8. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2003:

	Balance 9/30/2002	Additions	Deletions	Balance 9/30/2003
Frisco Economic Development Corporation				
	<u>\$ 6,573,925</u>	\$ -	\$ 198,155	<u>\$ 6,375,770</u>
Total	<u>\$ 6,573,925</u>	<u>\$ -</u>	<u>\$ 198,155</u>	<u>\$ 6,375,770</u>

- A. The Economic Development Corporation entered into an agreement to borrow \$120,000 from the Texas Department of Commerce and loan the funds to a local business for construction of their facilities. The note payable to the Texas Department of Commerce and the note receivable from the local business are on identical terms of monthly payments of \$1,358, including interest computed at the prime interest rate until December, 2005, when the balance is due.

The annual requirements to amortize the note, including interest of \$1,656 are as follows:

Fiscal Year Ending September 30.	Principal Requirements	Interest Requirements	Total Requirements
2004	\$ 15,176	\$ 1,124	\$ 16,300
2005	15,795	505	16,300
2006	4,027	27	4,054
Total	<u>\$ 34,998</u>	<u>\$ 1,656</u>	<u>\$ 36,654</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

- B. The Economic Development Corporation entered into an agreement on September 1, 2000 to borrow \$6,800,000 from a bank to fund the purchase of a commercial tract of land located in Frisco, Texas. The principal balance was due in full on or before January 25, 2005; however, on July 10, 2003 the Economic Development Corporation entered into an agreement to modify the repayment requirements of the note. Effective July 10, 2003 the interest rate is fixed at 5.00% with a monthly principal and interest payment of \$ 43,881 beginning July 10, 2003 and maturing on July 10, 2006.

The annual requirements to amortize the note, including interest of \$ 868,303 are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>Principal</u> <u>Requirements</u>	<u>Interest</u> <u>Requirements</u>	<u>Total</u> <u>Requirements</u>
2004	\$ 209,107	\$ 317,465	\$ 526,572
2005	220,850	305,722	526,572
2006	<u>5,910,815</u>	<u>245,116</u>	<u>6,155,931</u>
Total	<u>\$6,340,772</u>	<u>\$ 868,303</u>	<u>\$ 7,209,075</u>

NOTE 9. LONG-TERM DEBT

The City issued bonds in 1996 to advance refund \$2,500,000 of the City's outstanding general obligation bonds. Proceeds from the refunding were deposited in an irrevocable escrow account and invested in U.S. Treasury amounts sufficient for future payments of principal and interest on the issues refunded. Accordingly, the escrow account and the previously issued and outstanding bonds are not included in the City's Statement of Net Assets. The outstanding principal of the refunded bonds at September 30, 2003 is \$765,000.

General obligation bonds and certificates of obligation mature annually in varying amounts through 2023. The interest for these bonds are payable semi-annually with interest rates ranging from 1.30% to 9.125%.

In July 2003, the City issued \$93,550,000 in tax exempt certificates of obligation with a premium of \$8,408,751, and \$15,035,000 in taxable certificates of obligations with a discount of \$29,136. The purpose of this issue is to fund construction of a soccer stadium and facilities including seventeen fields, a convention center facility, a building for the public works facility, to acquire land for various uses, make infrastructure improvements through out the City, and to cover issuance costs of the bonds.

In August 2003, the City issued \$90,185,000 in general obligation bonds with a premium of \$6,761,974. Proceeds from the sale of the bonds will be used for construction, equipping and acquiring public improvements, facilities and equipment, and acquisition of land necessary for such purposes, and to pay the costs associated with the issuance of the bonds.

During the year ended September 30, 2003, the following changes occurred in the long-term liabilities:

	<u>Balance</u> <u>9/30/2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2003</u>	<u>Amounts due</u> <u>within</u> <u>one year</u>
<u>Governmental Activities</u>					
Compensated absences payable	\$ 1,798,862	\$ 737,720	\$ -	\$ 2,536,582	\$1,584,600
General obligation bonds	45,505,000	96,946,974	2,215,728	140,236,246	4,560,000
Certificate of obligations	85,287,500	91,608,357	472,103	176,423,754	2,462,500
General obligation – refunding bonds	856,800	-	214,200	642,600	210,000
Grants payable	9,656,566	2,242,000	1,005,621	10,892,945	1,043,633
Accrued liabilities	<u>123,221</u>	<u>-</u>	<u>123,221</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$143,227,949</u>	<u>\$191,535,051</u>	<u>\$ 4,030,873</u>	<u>\$330,732,127</u>	<u>\$9,860,733</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

	Balance 9/30/2002	Increases	Decreases	Balance 9/30/2003	Amounts due within one year
Business-type Activities:					
Compensated absences payable	\$ 330,093	\$ 82,290	\$ -	\$ 412,383	\$ 255,677
Certificates of obligation	20,372,500	25,356,258	933,698	44,795,060	1,432,500
General obligation – refunding bonds	163,200	-	40,800	122,400	40,000
Total business-type activities	20,865,793	25,438,548	974,498	45,329,843	1,728,177
Total	<u>\$ 164,093,741</u>	<u>\$ 216,973,599</u>	<u>\$ 5,005,371</u>	<u>\$ 376,061,969</u>	<u>\$ 11,630,809</u>
Component Units:					
Compensated absences payable	\$ 45,951	\$ -	\$ 291	\$ 45,660	\$ 28,309
Notes payable	6,573,925	-	198,155	6,375,770	224,284
Certificates of obligation	20,960,000	-	445,000	20,515,000	765,000
Revenue bonds	1,840,000	-	105,000	1,735,000	110,000
Grant payable	9,320,358	2,242,000	1,182,995	10,399,363	1,227,712
Total component unit	<u>\$ 38,740,234</u>	<u>\$ 2,242,000</u>	<u>\$ 1,931,441</u>	<u>\$ 18,062,739</u>	<u>\$ 2,355,305</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the year's subsequent to September 30, 2003, are as follows:

Fiscal Year Ending <u>September 30</u>	Principal <u>Requirements</u>	Interest <u>Requirements</u>	Total <u>Requirements</u>
2004	\$ 7,232,500	\$ 15,594,487	\$ 22,826,987
2005	8,038,300	13,982,654	22,020,954
2006	10,609,100	13,649,875	24,258,975
2007	10,837,043	13,246,403	24,083,446
2008	11,752,500	12,791,631	24,544,131
2009-2013	67,482,500	55,663,597	123,146,097
2014-2018	84,375,000	37,716,759	122,091,759
2019-2023	92,930,000	15,214,470	108,144,470
2024-2025	11,345,000	642,116	11,987,116
Total	<u>304,601,943</u>	<u>178,501,992</u>	<u>483,103,935</u>
Less: Unamortized bond discount	(28,407)	-	(28,407)
Plus: Unamortized bond premium	12,729,064	-	12,729,064
Net debt service requirements	<u>\$ 317,302,600</u>	<u>\$ 178,501,992</u>	<u>\$ 495,804,502</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the business-type activities for the year's subsequent to September 30, 2003, are as follows:

Fiscal Year Ending <u>September 30</u>	Principal <u>Requirements</u>	Interest <u>Requirements</u>	Total <u>Requirements</u>
2004	\$ 1,472,500	\$ 2,299,878	\$ 3,772,378
2005	1,741,700	2,012,992	3,754,692
2006	1,790,900	1,943,223	3,734,123
2007	1,812,957	1,865,535	3,678,492
2008	1,882,500	1,778,985	3,661,485
2009-2013	10,472,500	7,407,325	17,879,825
2014-2018	12,070,000	4,530,386	16,600,386
2019-2023	11,715,000	1,355,091	13,070,091
Total	<u>42,958,057</u>	<u>23,193,415</u>	<u>66,151,472</u>
Plus: Unamortized bond premium	1,959,403	-	1,959,403
Net debt service requirements	<u>\$ 44,917,460</u>	<u>\$ 23,193,415</u>	<u>\$ 68,110,875</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

Debt service requirements of the revenue bonds and certificates of obligation for the Economic Development Corporation component unit for the year's subsequent to September 30, 2003, are as follows:

Fiscal Year Ending <u>September 30</u>	Principal <u>Requirements</u>	Interest <u>Requirements</u>	Total <u>Requirements</u>
2004	\$ 265,000	\$ 358,300	\$ 623,300
2005	280,000	342,579	622,579
2006	295,000	326,011	621,011
2007	315,000	308,287	623,287
2008	340,000	289,239	629,239
2009-2013	2,040,000	1,120,294	3,160,294
2014-2018	1,755,000	577,518	2,332,518
2019-2021	<u>1,165,000</u>	<u>129,870</u>	<u>1,294,870</u>
Total	<u>\$ 6,455,000</u>	<u>\$ 3,452,08</u>	<u>\$ 9,907,098</u>

Debt service requirements of certificates of obligation for the Community Development Corporation component unit for the year's subsequent to September 30, 2003, are as follows:

Fiscal Year Ending <u>September 30</u>	Principal <u>Requirements</u>	Interest <u>Requirements</u>	Total <u>Requirements</u>
2004	\$ 610,000	\$ 747,391	\$ 1,357,391
2005	705,000	715,109	1,420,109
2006	770,000	679,194	1,449,194
2007	785,000	641,374	1,426,374
2008	800,000	604,711	1,404,711
2009-2013	4,300,000	2,448,979	6,748,979
2014-2018	4,665,000	1,408,362	6,073,362
2019-2023	<u>3,160,000</u>	<u>440,369</u>	<u>3,600,369</u>
Total	<u>\$ 15,795,000</u>	<u>\$ 7,685,489</u>	<u>\$ 23,480,489</u>

NOTE 10. GRANTS PAYABLE

Mall Development Agreement

In order to induce the construction of a shopping mall within the city limits of the City of Frisco, Texas, the City, FEDC and FCDC have agreed to pay a developer grants of money not to exceed \$24,224,000 and \$5,000,000 for the *Mall Anchor grant* and *Supplemental Mall Anchor grant*, respectively. The grants represent one half of the inducement cost or funds paid by the developer to induce Mall Anchors and Supplemental Mall Anchors to locate at the Mall. The mall developer defined specific stores as Mall Anchors and Supplemental Mall Anchors which includes Mall Anchor Successors and Supplemental Mall Anchor Successors that lease or purchase seventy-five thousand (75,000) or more square feet of retail space at the Mall. A Mall Anchor Successor and Supplemental Mall Anchor Successor is defined as an affiliate of a Mall Anchor or Supplemental Mall Anchor or any person that, as a result of reorganization, merger, consolidation or sale of stock or assets acquires a Mall Anchor or Supplemental Mall Anchor store.

The grant established for the Mall Anchors shall terminate upon the earlier of March 1, 2011 or the date the grant is paid in full. The grant established for the Supplemental Mall Anchors shall terminate upon the earlier of March 1, 2013 or the date the grant is paid in full.

The grant bears simple interest at the rate of six percent per annum on any unpaid balance. The interest accumulation begins on the date that the mall opens for business or the date the mall developer provides satisfactory evidence of funds paid to the Mall Anchors and Supplemental Mall Anchors which ever is later.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

The first installment of the grant is due no later than six months following the date that the mall opens for business and each subsequent payment is due each three months thereafter except that quarterly payments are not due until such time as the City of Frisco has received the municipal sales tax proceeds from the State Comptroller.

Each quarterly payment for the Mall Anchor grant is computed as follows:

The City will pay an amount equal to one hundred percent of the municipal sales tax received by the City from the Mall Anchors, not to exceed one percent of retail sales, and twenty-five percent of the municipal sales tax received from other mall tenants, not to exceed one-sixth of one percent of retail sales. The FEDC and FCDC will pay an amount equal to one hundred percent of municipal sales tax received by the City from the Mall Anchors not to exceed one-half of one percent of retail sales and twenty-five percent of the municipal sales tax received from other mall tenants, not to exceed one-sixth of one percent of retail sales.

Each quarterly payment for the Supplemental Mall Anchor grant is computed as follows:

The City will pay an amount equal to one hundred percent of municipal sales tax received from the Supplemental Mall Anchors not to exceed one percent of the retail sales. The FEDC and FCDC will pay an amount equal to one hundred percent of the municipal sales tax received from the Supplemental Mall Anchors not to exceed one-half of one percent of retail sales.

Each installment will be applied to accrued interest first and the remainder, if any, to principal. The Mall opened for business on August 4, 2000. The installment payments are dependent on sales tax collections.

During the year, the mall developer paid an additional \$8,968,000 to a Mall Anchor store to locate at the mall. The additional inducement cost increased the grant payable by \$2,242,000, \$1,121,000, and \$1,121,000 for the City, FEDC and FCDC, respectively. As of September 30, 2003, the City, FEDC, and FCDC were obligated to pay the mall developer a total of \$27,104,000 for one-half of the inducement cost paid to the Mall Anchors and Supplemental Mall Anchors. The carrying amount of the grant payable for the City, FEDC, and FCDC was \$10,892,945, \$5,186,309, and \$5,193,054 respectively at September 30, 2003.

An additional grant, which will be the third and final grant will be paid beginning the first quarter after the final payment is made for the Mall Anchor grant. The obligation to pay the additional grant will terminate upon the earlier of March 1, 2011 or ten years from the date the first grant installment is made.

There is no fixed repayment amount.

Each quarterly payment for the additional grant is computed as follows:

The City, FEDC, and FCDC will pay an amount equal to twenty-five percent of the municipal sales tax received from the Mall Anchors and Other Mall Tenants, not to exceed one-sixth of one percent of the retail sales.

Retail Development Agreements

In order to promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, and the City of Frisco, Texas, the City, FCDC and FEDC agreed to pay sales tax grants to certain developers. These grants require the construction of a minimum square feet of retail space and obtaining certificates of occupancy for certain Anchor stores or major retailers within a specified time period, all of which have been met during the 2003 fiscal year.

Each sales tax grant is available for a period of ten years, beginning on the dates the certificates of occupancy were received. The City, FCDC and FEDC will each pay one-third of one-half of one percent (0.5%) of retail sales taxes collected by the City on retail sales generated by the Anchor stores or major retailers to the developers on a quarterly basis. Therefore, the installment payments are dependent on sales tax collections and there are no fixed repayment amounts with these grants.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

NOTE 11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the City has no fiduciary responsibilities over the plan, therefore it is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 12. RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 774 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2002, valuations are contained in the 2002 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 100 percent of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll on an open basis from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

Annual Pension Cost

For the year ended September 30, 2003, the City's annual pension cost of \$1,687,542 or 8.5% of the covered payroll of \$19,685,203 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the unit credit actuarial cost method, the level percent of payroll amortization method and amortized on an open period basis over 25 years. The actuarial assumptions included (a) 8% investment rate of return, (b) no projected salary increases, (c) no cost-of-living adjustments, (d) no postretirement benefit increases, (e) level percentage of payroll, and (f) 25 year amortization period on an open basis. No inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using market values.

Three-Year Trend Information for TMRS

<u>Fiscal Year</u> <u>Funding</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/01	\$ 842,801	100%	\$0
9/30/02	\$ 1,307,610	100%	\$0
9/30/03	\$ 1,687,542	100%	\$0

Six-year historical trend information presenting the TMRS progress in accumulating sufficient assets to pay benefits when due is presented in this report on page 72.

NOTE 13. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are considered short-term and, at September 30, 2003, consisted of the following:

Due To	Due From						Total
	General Fund	TIRZ #1	Capital projects	Non-major governmental	Water & Sewer	Non-major enterprise	
General Fund	\$ -	\$ 64	\$ 5,878,319	\$ 25,142	\$ 612,340	\$ 243,368	\$ 6,759,233
TIRZ #1	-	-	912,116	900,000	-	-	1,812,116
Capital projects	10,960,252	-	-	-	8,959	-	10,969,211
Non-major governmental	5,120	470,753	3	370,250	-	-	846,126
Water & Sewer	198,717	-	5,100	-	-	20,962	224,779
Non-major enterprise	-	-	-	-	517,985	-	517,985
Total	<u>\$ 11,164,089</u>	<u>\$ 470,817</u>	<u>\$ 6,795,538</u>	<u>\$ 1,295,392</u>	<u>\$1,139,284</u>	<u>\$ 264,330</u>	<u>\$21,129,450</u>

All balances resulted from the time lag between the dates that transactions are recorded in the accounting system and that payments between funds are made.

Interfund balances at September 30, 2003 with the component units, consisted of the following:

Due To	Due From				Total
	Capital projects	CDC	EDC		
General Fund	\$ -	\$ 97,689	\$ 74,576		\$172,265
Capital projects	-	290,973	-		290,973
Water & Sewer	-	-	2		2
Economic Development	30,145	-	-		30,145
Total	<u>\$ 30,145</u>	<u>\$388,662</u>	<u>\$ 74,578</u>		<u>\$493,985</u>

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Transfer from						
Transfer to	General Fund	TIRZ #1	Capital projects	Non-major governmental	Water & Sewer	Total
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
TIRZ #1	-	-	912,116	-	-	\$ 912,116
Capital projects	8,733,214	-	-	679,915	35,980	9,449,109
Non-major governmental	600,797	3,311,849	178,188	705,781	-	4,796,615
Total	<u>\$ 9,334,011</u>	<u>\$ 3,311,849</u>	<u>\$ 1,090,304</u>	<u>\$ 1,385,696</u>	<u>\$ 35,980</u>	<u>\$15,157,840</u>

CITY OF FRISCO

Notes to the Basic Financial Statements (continued)

September 30, 2003

The transfers include the following:

<u>Transfer from Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund:		
Capital project funding	Capital Projects	\$8,733,214
Workforce housing funding	Other Governmental Funds – Housing	600,797
TIRZ #1 Fund:		
Debt service funding requirements	Other Governmental Funds – Debt Service	3,311,849
Capital Projects Fund:		
Debt service funding requirements	TIRZ #1	912,116
Park Dedication Fee reimbursement	Other Governmental Funds – Park Fees	178,188
Other Governmental Funds:		
Debt service funding requirements	Other Governmental Funds – Debt Service	300,000
Special events fund set-up	Other Governmental Funds – Hotel/Motel	50,000
Debt service funding requirements	Other Governmental Funds – Debt Service	355,781
Capital Project funding	Capital Projects	45,583
Capital Project funding	Capital Projects	634,332
Water and Sewer Funds:		
Capital Project funding	Capital Projects	<u>35,980</u>
Total		<u>\$15,157,840</u>

NOTE 16. CONTINGENT LIABILITIES

The City has participated in a number of state and federally assisted grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The North Texas Municipal Water District issued \$2,600,000 in revenue bonds to be used for the construction of a water supply and distribution system benefiting the Cities of Frisco and McKinney. The outstanding principal of the revenue bonds at September 30, 2003, is \$1,300,000. The City of Frisco and the City of McKinney have guaranteed the payment of the bond principal and interest, and certain related administrative costs. The City of Frisco is in compliance with this agreement at September 30, 2003.

NOTE 17. LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRISCO
Texas Municipal Retirement System
Required Supplementary Information
Analysis of Funding Progress
(In Thousands of Dollars)
(Unaudited)

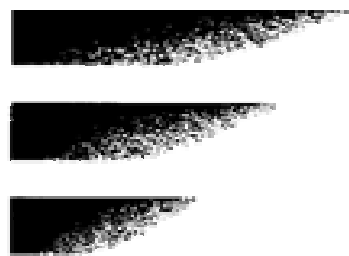
<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (c) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (d)</u>
1997	12/31/1996	\$ 1,579	\$ 1,904	\$ 325	82.9%	\$ 4,157
1998	12/31/1997	2,109	2,490	381	84.7%	4,516
1999	12/31/1998	2,772	3,405	633	81.4%	5,575
2000	12/31/1999	3,662	5,405	1,743	67.7%	7,150
2001	12/31/2000	5,283	7,358	2,075	71.8%	9,770
2002	12/31/2001	7,693	10,485	2,792	73.4%	13,332
2003	12/31/2002	10,453	14,335	3,882	72.9%	16,876

UAAL as a Percentage of Covered <u>Payroll (c/d)</u>	Annual Required <u>Contributions</u>	Actual <u>Contributions</u>	Percent <u>Contributed</u>
7.8%	210	210	100%
8.4%	254	254	100%
11.4%	354	354	100%
24.4%	696	696	100%
21.2%	843	843	100%
20.9%	1,308	1,308	100%
23.0%	1,688	1,688	100%



FRISCO

COMBINING FINANCIAL STATEMENTS



FRISCO

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel/Motel Tax Fund - This fund is used to account for revenues specifically restricted to encourage tourism, historical preservation and promote the City of Frisco.

Special Events Fund - This fund was established in FY 2003 to account for the contributions received for special events or other specifically designated purposes.

Workforce Housing - This fund was established in FY 2003 to account for the City's matching funds to obtain grant dollars and other contributions to improve the quality and quantity of housing opportunities for Frisco and Frisco ISD workforce housing.

Panther Creek Public Improvement District (PID) - This fund was established in FY 2003 to account for assessments charged to property owners of the Panther Creek Estates .

Frisco Square Municipal Management District (MMD) - This fund was established in FY 2003 to account for assessments and transactions related to the Frisco Square District.

Debt Service Fund

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation and certificate of obligation bond principal interest from governmental resources.

Capital Projects Funds

Impact Fees Fund - This fund accounts for the collection of impact fees and park dedication fees, which are transferred to the Capital Projects Fund as needed to fund infrastructure.

CITY OF FRISCO
Combining Balance Sheets
Non-Major Governmental Funds
September 30, 2003

	Special Revenue			
	<u>Hotel/Motel Tax</u>	<u>Special Events</u>	<u>Workforce Housing</u>	<u>Panther Creek PID</u>
ASSETS				
Cash and cash equivalents	\$ 1,295,025	\$ -	\$ 603,523	\$ -
Receivables (net of allowance for uncollectibles):				
Property tax	-	-	-	-
Occupancy tax	251,968	-	-	-
Other	5,000	-	-	-
Prepays	105	-	-	-
Due from other funds	<u>129</u>	<u>14,469</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>1,552,227</u>	 <u>14,469</u>	 <u>603,523</u>	 <u>-</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Monies held in escrow	-	-	-	-
Due to other funds	<u>14,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>14,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for debt service	-	-	-	-
Designated	121,045	-	603,523	-
Unreserved, undesignated	<u>1,416,713</u>	<u>14,469</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,537,758</u>	<u>14,469</u>	<u>603,523</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 1,552,227</u>	 <u>\$ 14,469</u>	 <u>\$ 603,523</u>	 <u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

	<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Frisco Square MMD</u>	<u>Debt Service</u>	<u>Impact Fees</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 1,170,673	\$ 6,823,174	\$ 9,892,395
-	96,140	-	96,140
-	-	-	251,968
355,781	-	-	360,781
-	-	-	105
-	831,528	-	846,126
<u>355,781</u>	<u>2,098,341</u>	<u>6,823,174</u>	<u>11,447,515</u>
-	815,641	-	815,641
-	78,844	-	78,844
-	-	183,922	183,922
355,781	925,142	-	1,295,392
<u>355,781</u>	<u>1,819,627</u>	<u>183,922</u>	<u>2,373,799</u>
-	278,714	-	278,714
-	-	6,639,252	7,363,820
-	-	-	1,431,182
-	278,714	6,639,252	9,073,716
<u>\$ 355,781</u>	<u>\$ 2,098,341</u>	<u>\$ 6,823,174</u>	<u>\$ 11,447,515</u>

CITY OF FRISCO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the year ended September 30, 2003

	<u>Special Revenue</u>				
	<u>Hotel/Motel Tax</u>	<u>Special Events</u>	<u>Workforce Housing</u>	<u>Panther Creek PID</u>	<u>Frisco Square MMD</u>
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel tax	887,061	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	15,005	-	2,726	-	-
Miscellaneous	-	<u>119,812</u>	-	-	<u>355,781</u>
Total revenues	<u>902,066</u>	<u>119,812</u>	<u>2,726</u>	<u>-</u>	<u>355,781</u>
EXPENDITURES:					
Current:					
General government	18,204	155,343	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>18,204</u>	<u>155,343</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>883,862</u>	<u>(35,531)</u>	<u>2,726</u>	<u>-</u>	<u>355,781</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	50,000	600,797	-	-
Transfers out	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(355,781)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>50,000</u>	<u>600,797</u>	<u>-</u>	<u>(355,781)</u>
Net change in fund balances	533,862	14,469	603,523	-	-
Fund balances, beginning	<u>1,003,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,537,758</u>	<u>\$ 14,469</u>	<u>\$ 603,523</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Debt Service</u>	<u>Impact Fees</u>	
\$ 4,651,851	\$ -	\$ 4,651,851
-	-	887,061
-	1,704,027	1,704,027
648,688	-	648,688
18,990	87,248	123,969
-	-	<u>475,593</u>
<u>5,319,529</u>	<u>1,791,275</u>	<u>8,491,189</u>
-	-	173,547
2,486,700	-	2,486,700
<u>6,710,649</u>	<u>-</u>	<u>6,710,649</u>
<u>9,197,349</u>	<u>-</u>	<u>9,370,896</u>
<u>(3,877,820)</u>	<u>1,791,275</u>	<u>(879,707)</u>
3,967,631	178,187	4,796,615
-	<u>(679,915)</u>	<u>(1,385,696)</u>
<u>3,967,631</u>	<u>(501,728)</u>	<u>3,410,919</u>
89,811	1,289,547	2,531,212
<u>188,903</u>	<u>5,349,705</u>	<u>6,542,504</u>
<u>\$ 278,714</u>	<u>\$ 6,639,252</u>	<u>\$ 9,073,716</u>



NON-MAJOR ENTERPRISE FUNDS

Following are the nonmajor Enterprise Funds:

Environmental Services Enterprise Fund - This fund is used to account for the revenue received and operating expenses from the privately contracted trash collection service and the solid waste disposal contract with the North Texas Municipal Water District.

Superdrome Enterprise Fund - This fund is used to account for activities of the facilities used for hosting local, national and international bicycling races.



CITY OF FRISCO
Combining Statement of Net Assets
Non-Major Enterprise Funds
September 30, 2003

	Business-type Activities		
	Enterprise Funds		Total
	Environmental Services Fund	Superdrome Fund	Nonmajor Enterprise Funds
ASSETS			
Cash and cash equivalents	\$ 89,817	\$ 97,018	\$ 186,835
Investments	-	1,626,094	1,626,094
Receivables (net of allowance for uncollectibles):			
Grants	9,614	-	9,614
Other	2,993	72,581	75,574
Due from other funds	517,985	-	517,985
Prepaid expenses & other assets	275	-	275
Capital assets:			
Machinery & equipment	75,313	235,495	310,808
Buildings & improvements	-	2,917,139	2,917,139
Less accumulated depreciation	(34,740)	(538,028)	(572,768)
Total assets	<u>661,257</u>	<u>4,410,299</u>	<u>5,071,556</u>
LIABILITIES			
Current liabilities:			
Accounts payable	170,004	549	170,553
Accrued liabilities	6,991	-	6,991
Due to other funds	257,641	6,689	264,330
Liability for compensated absences	15,565	-	15,565
Total current liabilities	<u>450,201</u>	<u>7,238</u>	<u>457,439</u>
Noncurrent liabilities:			
Liability for compensated absences	9,540	-	9,540
Total noncurrent liabilities	<u>9,540</u>	<u>-</u>	<u>9,540</u>
Total liabilities	<u>459,741</u>	<u>7,238</u>	<u>466,979</u>
NET ASSETS			
Invested in capital assets, (net of related debt)	40,573	2,614,606	2,655,179
Unrestricted	160,943	1,788,455	1,949,398
Total net assets	<u>\$ 201,516</u>	<u>\$ 4,403,061</u>	<u>\$ 4,604,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Non-major Enterprise Funds For the year ended September 30, 2003

	Environmental <u>Services</u>	Superdrome <u>Fund</u>	Total Nonmajor <u>Enterprise Funds</u>
OPERATING REVENUES:			
Sanitation charges	\$ 3,952,879	\$ -	\$ 3,952,879
Other receipts	47,325	-	47,325
Miscellaneous	6,198	62,039	68,237
Total operating revenues	<u>4,006,402</u>	<u>62,039</u>	<u>4,068,441</u>
OPERATING EXPENSES:			
Cost of sales and services	4,009,313	-	4,009,313
Administration	108,721	49,132	157,853
Depreciation	13,261	118,913	132,174
Total operating expenses	<u>4,131,295</u>	<u>168,045</u>	<u>4,299,340</u>
Operating income (loss)	<u>(124,893)</u>	<u>(106,006)</u>	<u>(230,899)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	<u>7,171</u>	<u>45,464</u>	<u>52,635</u>
Total nonoperating revenues (expenses)	<u>7,171</u>	<u>45,464</u>	<u>52,635</u>
Change in net assets	(117,722)	(60,542)	(178,264)
Net assets - beginning	<u>319,238</u>	<u>4,463,603</u>	<u>4,782,841</u>
Net assets - ending	<u>\$ 201,516</u>	<u>\$ 4,403,061</u>	<u>\$ 4,604,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the year ended September 30, 2003

	Environmental Services Fund	Superdrome Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,956,559	\$ -	\$ 3,956,559
Cash payments to suppliers for goods and services	(4,146,902)	(22,500)	(4,169,402)
Cash payments to employees for services	(223,035)	(41,637)	(264,672)
Other receipts	47,325	-	47,325
Net cash (used) by operating activities	(366,053)	(64,137)	(430,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds of interfund borrowing/(loans)	-	6,659	6,659
Loans made to other funds	120,732	-	120,732
Other revenues	-	-	-
Net cash provided by noncapital financing activities	120,732	6,659	127,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	(1,636,636)	(1,636,636)
Interest on investments	7,171	45,464	52,635
Net cash provided (used) by investing activities	7,171	(1,591,172)	(1,584,001)
Net decrease in cash and cash equivalents	(238,150)	(1,648,650)	(1,886,800)
Cash and cash equivalents, October 1	327,967	1,745,668	2,073,635
Cash and cash equivalents, September 30	89,817	97,018	186,835
Classified as:			
Current assets	89,817	97,018	186,835
Restricted assets	-	-	-
Total	89,817	97,018	186,835
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	(124,893)	(106,006)	(230,899)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,261	118,913	132,174
Change in assets and liabilities:			
(Increase) decrease in -			
Receivables - other	(2,518)	(62,039)	(64,557)
Prepaid expenses & other assets	(275)	-	(275)
Increase (decrease) in -			
Accounts payable	(263,602)	512	(263,090)
Accrued liabilities	3,006	-	3,006
Liability for compensated absences	8,968	(15,517)	(6,549)
Total adjustments	(241,160)	41,869	(199,291)
Net cash (used) by operating activities	\$ (366,053)	\$ (64,137)	\$ (430,190)

The notes to the financial statements are an integral part of this statement.

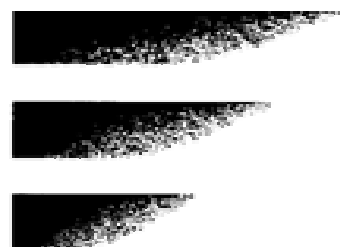


COMPONENT UNITS

Following are the Component Units for the City of Frisco:

Community Development Fund - The CDC benefits the City and its citizens by developing recreational resources. It operates primarily within the geographic boundaries of the City.

Economic Development Fund - EDC benefits the City and its citizens by developing economic resources. Funding for this organization is derived from a half cent sales tax.



FRISCO

**CITY OF FRISCO
Balance Sheet
Component Units
September 30, 2003**

	<u>Community Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
ASSETS			
Cash and cash equivalents	\$ 10,490,087	\$ 8,640,945	\$ 19,131,032
Receivables (net of allowances for uncollectibles):			
Sales tax	1,033,532	1,033,532	2,067,064
Other	-	8,137	8,137
Due from primary government	-	30,145	30,145
Prepays	-	254	254
Notes receivable	-	1,232,490	1,232,490
Restricted assets:			
Cash and cash equivalents	-	250,654	250,654
Total assets	<u>\$ 11,523,619</u>	<u>11,196,157</u>	<u>22,719,776</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 92,719	\$ 93,313	\$ 186,032
Accrued liabilities	-	9,379	9,379
Deferred revenue	-	1,358	1,358
Due to primary government	388,662	74,578	463,240
Total liabilities	<u>481,381</u>	<u>178,628</u>	<u>660,009</u>
Fund balances:			
Reserved for debt reserve	-	250,654	250,654
Unreserved, undesignated	11,042,238	10,766,875	21,809,113
Total fund balances	<u>11,042,238</u>	<u>11,017,529</u>	<u>22,059,767</u>
Total liabilities and fund balances	<u>\$ 11,523,619</u>	<u>\$ 11,196,157</u>	<u>\$ 22,719,776</u>

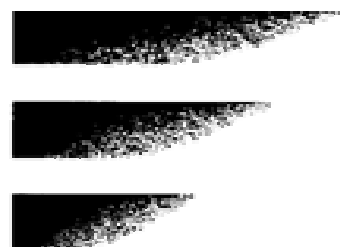
The notes to the financial statements are an integral part of this statement.

CITY OF FRISCO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Units
For the Fiscal Year Ended September 30, 2003

	<u>Community Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
REVENUES:			
Taxes:			
Sales	6,018,791	6,018,790	12,037,581
Investment earnings	124,057	93,145	217,202
Contributions and donations	6,500	26,320	32,820
Miscellaneous	82,624	145,473	228,097
Total revenues	<u>6,231,972</u>	<u>6,283,728</u>	<u>12,515,700</u>
EXPENDITURES:			
Current:			
General government	922,005	2,646,738	3,568,743
Capital outlay	336,359	-	336,359
Debt service:			
Principal retirement	891,497	1,039,651	1,931,148
Interest and fiscal charges	1,107,141	1,123,728	2,230,869
Total expenditures	<u>3,257,002</u>	<u>4,810,117</u>	<u>8,067,119</u>
Excess (deficiency) of revenues over expenditures			
	2,974,970	1,473,611	4,448,581
OTHER FINANCING SOURCES (USES):			
Loss on sale of fixed assets	-	(6,496)	(6,496)
Total other financing sources (uses)	<u>-</u>	<u>(6,496)</u>	<u>(6,496)</u>
Net change in fund balances	2,974,970	1,467,115	4,442,085
Fund balances, beginning	8,067,268	9,550,414	17,617,682
Fund balances, ending	<u>\$ 11,042,238</u>	<u>\$ 11,017,529</u>	<u>\$ 22,059,767</u>

The notes to the financial statements are an integral part of this statement.

Capital Assets of Governmental Funds



FRISCO

CITY OF FRISCO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
As of September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	\$ 182,214,467	\$ 158,938,905
Buildings and improvements	62,994,059	27,208,684
Improvements other than buildings	353,227,144	347,677,596
Machinery, and equipment	13,197,029	12,028,091
Construction in progress	34,810,588	19,299,650
Total governmental funds capital assets	<u>\$ 646,443,287</u>	<u>\$ 565,152,926</u>
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE		
Capital project funds - general obligation bonds	\$ 170,901,278	\$ 107,333,006
Federal grants, including revenue sharing	530,612	516,246
General fund revenues	7,670,815	7,461,990
State grants	458,436	458,436
Contributed capital	465,256,509	447,775,463
Community development corporation	169,685	151,835
Economic development corporation	1,455,950	1,455,950
Total governmental funds capital assets	<u>\$ 646,443,285</u>	<u>\$ 565,152,926</u>

This schedule presents only the capital asset balances related to governmental funds.

CITY OF FRISCO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
As of September 30, 2003

	<u>Land</u>	<u>Vehicles Machinery and Equipment</u>	<u>Buildings and Improvements</u>
General government:			
General and administrative	\$ 26,937,767	\$ 480,606	\$ 38,508,173
Planning and development services	<u>-</u>	<u>351,265</u>	<u>-</u>
Total general government	<u>26,937,767</u>	<u>831,871</u>	<u>38,508,173</u>
Public Safety			
Police	1,719,117	3,301,114	2,929,480
Fire and EMS	<u>958,270</u>	<u>6,372,364</u>	<u>5,001,397</u>
Total public safety	<u>2,677,387</u>	<u>9,673,478</u>	<u>7,930,877</u>
Public works:			
Streets	143,142,402	1,636,090	-
Fleet Services	<u>-</u>	<u>85,601</u>	<u>-</u>
Total public works	<u>143,142,402</u>	<u>1,721,691</u>	<u>-</u>
Cultural and recreational:			
Library	-	39,561	200,040
Parks	9,456,911	742,880	16,354,969
Recreation	<u>-</u>	<u>187,548</u>	<u>-</u>
Total cultural and recreational	<u>9,456,911</u>	<u>969,989</u>	<u>16,555,009</u>
Total	<u>\$ 182,214,467</u>	<u>\$ 13,197,029</u>	<u>\$ 62,994,059</u>

This schedule presents only the capital asset balances related to governmental funds.

Improvements other than <u>Buildings</u>	Construction in <u>Progress</u>	<u>Totals</u>
\$ 297,879	\$ 1,610,254	\$ 67,834,679
-	-	351,265
<u>297,879</u>	<u>1,610,254</u>	<u>68,185,944</u>
14,947	13,238	7,977,896
40,404	222,296	12,594,731
<u>55,351</u>	<u>235,534</u>	<u>20,572,627</u>
350,859,366	32,024,212	527,662,070
-	-	85,601
<u>350,859,366</u>	<u>32,024,212</u>	<u>527,747,671</u>
129,028	51,688	420,317
1,879,073	745,762	29,179,595
6,447	143,138	337,133
<u>2,014,548</u>	<u>940,588</u>	<u>29,937,045</u>
<u>\$ 353,227,144</u>	<u>\$ 34,810,588</u>	<u>\$ 646,443,287</u>

CITY OF FRISCO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
As of September 30, 2003

	<u>October 1</u>	<u>Additions</u>	<u>Retirements</u> <u>Other Deductions</u>	<u>Transfers</u>	<u>September 30</u>
General government:					
General and administrative	\$ 16,781,406	\$ 49,306,579	\$ -	\$ 136,440	\$ 66,224,425
Planning & development	<u>290,405</u>	<u>60,860</u>	<u>-</u>	<u>-</u>	<u>351,265</u>
Total general government	<u>17,071,811</u>	<u>49,367,439</u>	<u>-</u>	<u>136,440</u>	<u>66,575,690</u>
Public Safety					
Police and police reserve	5,833,904	2,115,808	-	14,946	7,964,658
Fire and ambulance	<u>11,616,627</u>	<u>715,404</u>	<u>-</u>	<u>40,404</u>	<u>12,372,435</u>
Total public safety	<u>17,450,531</u>	<u>2,831,212</u>	<u>-</u>	<u>55,350</u>	<u>20,337,093</u>
Public works:					
Streets	490,833,528	436,782	-	4,367,548	495,637,858
Fleet Services	<u>85,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,601</u>
Total public works	<u>490,919,129</u>	<u>436,782</u>	<u>-</u>	<u>4,367,548</u>	<u>495,723,459</u>
Cultural and recreational:					
Library	-	253,967	-	114,662	368,629
Parks	20,244,387	7,985,676	-	203,770	28,433,833
Recreation	<u>167,418</u>	<u>26,577</u>	<u>-</u>	<u>-</u>	<u>193,995</u>
Total cultural and recreational	<u>20,411,805</u>	<u>8,266,220</u>	<u>-</u>	<u>318,432</u>	<u>28,996,457</u>
 Total capital assets allocated to functions	 <u>545,853,276</u>	 <u>60,901,653</u>	 <u>-</u>	 <u>4,877,770</u>	 <u>611,632,699</u>
Construction in progress	<u>19,299,650</u>	<u>20,388,708</u>	<u>-</u>	<u>(4,877,770)</u>	<u>34,810,588</u>
Total capital assets	<u>\$ 565,152,926</u>	<u>\$ 81,290,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,443,287</u>

Statistical Section

FRISCO





CITY OF FRISCO
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>
1994	\$ 921,118	\$ 2,003,589	\$ 1,116,290	\$ 301,248
1995	1,017,726	2,196,587	843,064	322,073
1996	1,169,340	2,713,002	1,215,596	487,150
1997	1,143,924	3,623,344	1,109,425	611,479
1998	2,048,717	4,400,912	1,449,922	792,567
1999	3,127,045	4,774,979	1,416,328	997,395
2000	3,385,885	6,600,951	1,657,035	1,338,255
2001	5,623,480	8,290,177	2,011,215	1,955,253
2002	15,441,093	10,343,563	2,436,197	2,334,728
2003	15,533,716	13,240,048	2,722,869	3,065,134

(1) Includes all governmental fund types.

Table 1

<u>Urban Redevelopment</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 1,610,295	\$ 459,372	\$ 6,411,912
-	5,643,363	660,605	10,683,418
-	13,274,232	1,035,463	19,894,783
198,177	5,704,541	846,047	13,236,937
203,021	12,692,006	1,317,566	22,904,711
25,979	12,008,597	1,284,617	23,634,940
-	16,618,309	2,775,138	32,375,573
-	17,578,758	4,628,729	40,087,612
-	52,956,434	10,844,858	94,356,873
-	81,383,430	12,628,809	128,574,006

CITY OF FRISCO
General Governmental Revenues by Function (1)
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Building Inspection</u>	<u>Impact Fees</u>	<u>Inter- governmental</u>	<u>Public Safety</u>
1994	\$ 4,221,835	\$ 896,110	\$ 821,692	\$ 114,874	\$ 368,217
1995	5,330,446	1,004,869	1,317,854	922,519	380,874
1996	6,993,306	1,808,810	891,793	265,000	383,026
1997	6,472,650	2,063,139	971,443	335,080	474,125
1998	8,369,800	3,145,892	2,783,862	271,421	401,142
1999	9,835,281	4,468,212	2,805,667	338,188	558,325
2000	14,875,385	4,673,851	6,460,240	415,212	1,161,624
2001	23,796,343	5,287,620	1,786,300	5,266,045	1,599,585
2002	28,830,158	6,686,169	3,349,252	5,937,230	1,861,547
2003	35,579,281	7,801,867	1,704,027	12,993,910	1,949,131

(1) Includes all governmental fund types.

Table 2

<u>Planning and Zoning</u>	<u>Charges for Service</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Contributions</u>	<u>Total</u>
\$ -	\$ -	\$ 179,127	\$ 12,165	\$ 720,000	\$ 7,334,020
-	-	675,818	2,834	180,000	9,815,214
-	-	886,980	39,051	174,434	11,442,400
-	-	799,174	69,811	3,375,961	14,561,383
-	-	1,143,608	102,163	90,042	16,307,930
-	-	1,232,915	191,803	-	19,430,391
359,477	76,767	1,928,019	99,284	3,022,312	33,072,171
350,961	221,869	1,567,937	168,086	1,134,345	41,179,091
264,778	324,277	2,317,850	931,507	4,004,156	54,506,924
267,441	1,349,437	1,526,677	869,309	5,993,891	70,034,971



FRISCO

Table 2A

CITY OF FRISCO
General Governmental Tax Revenues by Source (1)
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>		<u>Property Tax</u>	<u>Sales Tax (6)</u>	<u>Franchise Tax</u>	<u>Other Tax</u>	<u>Total</u>
1994		\$ 2,245,148	\$ 1,570,010	\$ 393,125	\$ 13,552	\$ 4,221,835
1995		2,479,866	2,366,532	466,770	17,278	5,330,446
1996		3,447,748	2,966,923	558,763	19,872	6,993,306
1997		4,018,619	1,748,957	682,601	22,473	6,472,650
1998		5,076,096	2,265,984	1,001,600	26,120	8,369,800
1999		5,933,144	2,722,408	1,149,130	30,599	9,835,281
2000	(2)	9,617,550	3,762,000	1,360,977	134,858	14,875,385
2001	(3)	12,177,418	8,413,550	2,287,545	917,830	23,796,343
2002	(4)	16,137,694	9,393,201	2,346,814	952,449	28,830,158
2003	(5)	18,618,168	12,037,581	3,775,702	1,147,830	35,579,281

(1) Includes all governmental fund types.

(2) Includes tax increment reinvestment zone tax collections of \$1,106,117.

(3) Includes tax increment reinvestment zone tax collections of \$734,619.

(4) Includes tax increment reinvestment zone tax collections of \$1,313,862.

(5) Includes tax increment reinvestment zone tax collections of \$1,629,296.

(6) Includes total sales tax revenue through 1997, after 1997 the totals only includes governmental funds.

CITY OF FRISCO
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>		<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1994	\$ 2,045,197	\$ 2,193,501	(1)	107.3%	\$ 27,591
1995	2,420,169	2,439,725	(2)	100.8%	20,461
1996	3,319,251	3,408,565	(3)	102.7%	15,258
1997	3,941,023	3,976,882	(4)	100.9%	13,573
1998	4,888,818	4,987,369	(5)	102.0%	34,454
1999	5,630,938	5,824,429	(6)	103.4%	51,930
2000	7,991,131	7,931,546	(7)	99.3%	43,946
2001	11,303,893	11,285,270	(8)	99.8%	55,406
2002	15,768,594	15,860,706	(9)	100.6%	78,232
2003	17,990,686	18,054,281	(10)	100.4%	288,761

- (1) Includes rollbacks of \$162,934.
(2) Includes rollbacks of \$37,310.
(3) Includes rollbacks of \$101,594.
(4) Includes rollbacks of \$55,499.
(5) Includes rollbacks of \$139,983.
(6) Includes rollbacks of \$244,556.
(7) Includes rollbacks of \$445,508.
(8) Includes rollbacks of \$664,099.
(9) Includes rollbacks of \$330,993.
(10) Includes rollbacks of \$320,355.

Table 3

<u>Total Tax Collections</u>		<u>Ratio of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>		<u>Ratio of Delinquent Taxes to Tax Levy</u>
\$	2,221,092	108.6%	\$	91,313	4.5%
	2,460,186	101.7%		62,080	2.6%
	3,423,823	103.2%		48,218	1.5%
	3,990,455	101.3%		57,608	1.5%
	5,021,823	102.7%		64,561	1.3%
	5,876,359	104.4%		74,793	1.3%
	7,975,492	99.8%		93,258	1.2%
	11,340,676	100.3%		146,893	1.3%
	15,938,938	101.1%		540,058	3.4%
	18,343,042	102.0%		538,486	3.0%



CITY OF FRISCO
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	Tax Rate Per \$100 Assessed <u>Value</u>	Assessed <u>Value</u>	Estimated Actual <u>Value</u>	Ratio of Assessed to Estimated <u>Actual Value</u>
1994	0.43700	\$ 471,451,857	\$ 471,451,857	100%
1995	0.39800	613,226,985	613,226,985	100%
1996	0.44300	748,465,765	748,465,765	100%
1997	0.41950	939,492,671	939,492,671	100%
1998	0.41200	1,189,755,303	1,189,755,303	100%
1999	0.37270	1,512,394,401	1,512,394,401	100%
2000	0.37270	2,137,592,244	2,137,592,244	100%
2001	0.37000	3,055,106,192	3,055,106,192	100%
2002	0.36700	4,296,619,568	4,296,619,568	100%
2003	0.33705	5,337,706,413	5,337,706,413	100%

CITY OF FRISCO
Property Values
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Agricultural</u>	<u>Other</u>
1994	\$ 338,058	\$ 78,058	\$ 203,722	\$ 15,153
1995	466,746	36,024	234,719	63,999
1996	556,154	98,375	210,889	108,262
1997	678,922	212,543	260,070	62,143
1998	870,458	266,683	292,764	71,448
1999	1,100,060	351,016	453,742	88,425
2000	1,425,545	651,121	720,582	123,057
2001	2,254,685	544,630	1,176,655	60,919
2002	2,689,726	1,420,376	909,972	284,666
2003	2,829,137	1,391,520	915,953	360,294

Table 5

	<u>Total</u>	Less: <u>Exemptions</u>	Net <u>Taxable</u>
\$	634,991	\$ 163,539	\$ 471,452
	801,488	188,261	613,227
	973,680	225,214	748,466
	1,213,678	274,185	939,493
	1,501,353	319,655	1,181,698
	1,993,243	490,470	1,502,773
	2,920,305	782,713	2,137,592
	4,036,889	981,783	3,055,106
	5,304,740	1,008,121	4,296,619
	5,496,904	159,198	5,337,706

CITY OF FRISCO
Property Tax Rates
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Frisco			Collin County, Texas		
	Operating Millage	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total
1994	0.3400	0.0970	0.4370	0.1808	0.0792	0.2600
1995	0.3270	0.0710	0.3980	0.1872	0.0728	0.2600
1996	0.3330	0.1100	0.4430	0.1872	0.0728	0.2600
1997	0.3232	0.0963	0.4195	0.1857	0.0743	0.2600
1998	0.3007	0.1113	0.4120	0.1921	0.0679	0.2600
1999	0.2874	0.0853	0.3727	0.1961	0.0539	0.2500
2000	0.2680	0.1047	0.3727	0.1961	0.0539	0.2500
2001	0.2851	0.0849	0.3700	0.1961	0.0539	0.2500
2002	0.2545	0.1125	0.3670	0.1974	0.0526	0.2500
2003	0.2416	0.0955	0.33705	0.1996	0.0504	0.2500

Table 6

Frisco Independent School District			Collin County Community College			Totals
Operating Millage	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total	
1.0403	0.3274	1.3677	-	-	-	2.0647
1.0584	0.3093	1.3677	0.0674	0.0311	0.0985	2.1242
1.1239	0.2760	1.3999	0.0674	0.0311	0.0985	2.2014
1.1412	0.4502	1.5914	0.0713	0.0273	0.0986	2.3695
1.1427	0.3859	1.5286	0.0744	0.0242	0.0986	2.2992
1.1387	0.3749	1.5136	0.0788	0.0198	0.0986	2.2349
1.0800	0.3600	1.4400	0.0800	0.0167	0.0967	2.1594
1.0800	0.3400	1.4200	0.0800	0.0140	0.0940	2.1340
1.1600	0.2800	1.4400	0.0800	0.0128	0.0928	2.1498
1.2775	0.2400	1.5175	0.0800	0.0119	0.0919	2.1965

Table 7

CITY OF FRISCO
Principal Taxpayers
September 30, 2003
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Stonebriar Mall Ltd Partnership	Commercial/Retail	\$ 188,747,579	3.54%
BPR Shopping Center LP	Commercial/Retail	110,000,000	2.06%
The Stonebriar Hotel LLC	Commercial	40,039,080	0.75%
SPC NEC121, LTD	Commercial	23,711,487	0.44%
Nordstrom, Inc.	Commercial/Retail	18,308,870	0.34%
Dayton Hudson Corporation	Commercial/Retail	13,366,122	0.25%
Macy's Texas, Inc.	Commercial/Retail	13,220,743	0.25%
Hall Stonebriar Center I Assoc LTD	Commercial	12,797,855	0.24%
Caterpillar Financial Services Corp	Commercial	12,342,632	0.23%
Lowes Home Centers, Inc.	Commercial	11,455,708	0.21%
Regency Centers LP	Commercial	<u>10,700,000</u>	<u>0.20%</u>
Total		<u>\$ 454,690,076</u>	<u>8.52%</u>

CITY OF FRISCO
Computation of Legal Debt Margin
September 30, 2003
(Unaudited)

The City Charter of the City of Frisco, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

The tax rate for fiscal year 2003 was established at \$0.33705 per \$100 of assessed valuation based on 100% of appraised value.

CITY OF FRISCO
Ratio of Net General Obligation Bonded Debt
To Assessed Value and
Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	(1) <u>General Obligation Bonded Debt</u>	<u>Less Debt Service Funds</u>
1994	11,000	\$ 471,451,857	\$ 7,630,000	\$ 56,798
1995	14,500	613,226,985	10,355,000	22,512
1996	17,750	748,465,765	9,162,500	90,198
1997	23,500	939,492,671	12,115,000	170,451
1998	25,000	1,189,755,303	11,165,600	208,413
1999	29,000	1,512,394,401	10,534,600	118,982
2000	32,650	2,137,592,244	32,672,800	258,619
2001	47,468	3,055,106,192	48,520,200 (2)	158,329
2002	50,550	4,296,619,568	46,361,800	188,903
2003	61,175	5,337,706,413	134,602,600	278,714

(1) Includes only bonded debt that is being repaid through property taxes.

(2) Beginning with FY2001, net bonded general obligation debt does not include the self-supported debt issued and funded by contributions.

Table 9

	Net Bonded <u>Debt</u>	Ratio of Net Bonded Debt To <u>Assessed Value</u>	Net Bonded Debt per <u>Capita</u>
\$	7,573,202	1.61	541
	10,332,488	1.68	688
	9,072,302	1.21	490
	11,944,549	1.27	508
	10,957,187	0.92	438
	10,415,618	2.20	1,146
	32,414,181	1.52	993
	48,361,871	1.58	1,019
	46,172,897	1.07	913
	134,323,886	2.52	2,196

CITY OF FRISCO
Ratio of Annual Debt Service Expenditures for General Obligation Bonded
Debt To Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>	<u>Total</u> <u>General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to</u> <u>Total General</u> <u>Governmental</u> <u>Expenditures</u>
1994	\$ 245,000	\$ 214,372	\$ 459,372	\$ 6,411,912	7.16%
1995	298,750	361,855	660,605	10,683,418	6.18%
1996	324,010	711,453	1,035,463	19,894,783	5.20%
1997	574,405	611,751	1,186,156	13,236,937	8.96%
1998	724,498	932,593	1,657,091	22,904,711	7.23%
1999	786,000	1,057,736	1,843,736	23,634,940	7.80%
2000	671,800	2,017,974	2,689,774	32,375,573	8.31%
2001	1,612,600	1,696,254	3,308,854	40,087,612	8.25%
2002	2,410,900	5,676,394	8,087,294	94,356,873	8.57%
2003	2,486,700	6,710,649	9,197,349	128,574,006	7.15%

CITY OF FRISCO
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
September 30, 2003
(Unaudited)

<u>Jursidiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct debt:			
City of Frisco, Texas	\$ 134,602,600	100.00%	\$ 134,602,600
Total direct debt	<u>134,602,600</u>		<u>134,602,600</u>
Overlapping debt: (1)			
Allen Independent School District	209,053,648	18.00%	37,629,657
Collin County	200,594,996	4.53%	9,086,953
Collin County College District	25,702,935	4.53%	1,164,343
Denton County	126,508,816	0.19%	240,367
Frisco Independent School District	373,306,362	53.52%	199,793,565
Frisco Municipal Utility District #1	3,755,453	100.00%	3,755,453
Lewisville Independent School District	533,584,892	0.12%	640,302
Prosper Independent School District	<u>21,974,431</u>	<u>4.14%</u>	<u>909,741</u>
Total overlapping debt	<u>1,494,481,533</u>		<u>253,220,381</u>
Total direct and overlapping debt	<u>\$ 1,629,084,133</u>		<u>\$ 387,822,981</u>

(1) Information obtained from the Municipal Advisory Council of Texas.

Table 12

CITY OF FRISCO
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(1) Per Capita Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>Unemployment Rate</u>
1994	11,000	-	-	2,074	-
1995	14,500	-	-	2,567	-
1996	17,750	29,078	-	3,034	-
1997	23,500	-	38.5	3,656	-
1998	25,000	23,716	38.0	4,422	2.3%
1999	29,000	23,281	37.5	5,655	1.9%
2000	32,650	23,899	37.0	7,214	1.6%
2001	47,468	25,986	30.9	8,913	5.9%
2002	50,550	34,089	30.9	11,005	7.8%
2003	61,175	39,823	30.9	13,280	7.0%

Data Sources

(1) City of Frisco

(2) Frisco Independent School District

Table 13

CITY OF FRISCO
Miscellaneous Statistics
September 30, 2003
(Unaudited)

Date of Incorporation	March 3, 1908
Form of Government	Council/Manager
Number of employees :	
Full Time	455
Part Time	26
Area in square miles	70
Name of government facilities and services:	
Culture and recreation:	
Recreation center	1
Community centers	1
Parks:	
Developed	14
Undeveloped	16
Park acreage:	
Developed	185
Undeveloped	614
Swimming pools	2
Tennis courts	20
Soccer fields	16
Baseball fields	10
Fire protection:	
Number of stations	4
Number of fire personnel and officers	81
Police protection:	
Number of stations	1
Number of police personnel and officers	100
Number of patrol units	39
Number of law violations:	
Physical arrests	1,229
Traffic violations	9,659
Parking violations	163
Water and sewage system:	
Number of utility customers	22,448
Number of sewer treatment plants	1
Facilities and services not included in the primary government:	
Cable Television System:	
Number of satellite receiving stations	2
Education:	
Number of elementary schools	14
Number of secondary schools	6
Number of school instructors	1,774